Annual Report 2006/07

FREEMAN CORPORATION LIMITED

HK Stock Code : 279

Contents

Corporate Information

BOARD OF DIRECTORS

Executive Directors

Dr. Yang Fan Shing, Andrew *(Chairman)*
Mr. Kwong Wai Tim, William *(Managing Director)*
Ms. Kwok Wai Ming
Ms. Au Shuk Yee, Sue

Independent Non-Executive Directors

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

AUDIT COMMITTEE

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

REMUNERATION COMMITTEE

Ms. Kwok Wai Ming
Mr. Chiu Siu Po
Ms. Hui Wai Man, Shirley

QUALIFIED ACCOUNTANT

Mr. Ngai Wai Kin

COMPANY SECRETARY

Mr. Ngai Wai Kin

AUDITORS

Ernst & Young

LEGAL COUNSELS

Hong Kong

Barlow Lyde & Gilbert
Richards Butler

Cayman Islands

Maples and Calder

PRINCIPAL BANKERS

Bank of Communications
The Hongkong and Shanghai Banking Corporation Limited
Chong Hing Bank Limited

REGISTERED OFFICE

P.O. Box 309, George Town
Grand Cayman, Cayman Islands
British West Indies

PRINCIPAL PLACE OF BUSINESS

8th Floor China United Centre
28 Marble Road
North Point, Hong Kong

SHARE REGISTRAR AND TRANSFER OFFICE IN HONG KONG

Secretaries Limited
26th Floor Tesbury Centre
28 Queen's Road East
Wanchai, Hong Kong

WEBSITE

http://www.freeman279.com

TRADING OF SHARES

The Stock Exchange of Hong Kong Limited
(stock code: 279)

Chairman's Statement And Management Discussion And Analysis

The Directors of Freeman Corporation Limited hereby present the Group's annual report incorporated with the audited financial statements for the financial year ended 31st March 2007.

FINAL RESULTS

The turnover of the Group for the financial year was HK$350,181,000 which represented an increase of 370.6% as compared to that of HK$74,405,000 in last year as restated. The gross profit was HK$18,746,000 (2006: HK$16,690,000 as restated), representing an increase of 12.3% as compared to last year's figure. The consolidated net loss attributable to shareholders of the Group for the year was HK$212,262,000 (2006: HK$159,770,000). Loss per share was 14.52 HK cents (2006: 67.46 HK cents).

The loss incurred by the Group in the financial year was mainly due to the impairment of investment in an associate (net of the share of the associate's profit) of HK$41,692,000, the impairment of goodwill on acquisition of a subsidiary of HK$44,050,000 and impairment loss of HK$67,479,000 recognised in respect of loans receivable.

General and administrative expenses increased from last year's figure of HK$13,570,000 (as restated) to HK$29,350,000 in this year being in line with the increase in operating activities of the Group.

The Directors do not recommend the payment of a final dividend for the year ended 31st March 2007.

OPERATIONS REVIEW

The Group was principally engaged in the trading of securities, provision of finance, insurance, property holding and investment holding during the financial 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.

During the year, the Group had disposed of 55% interest in Mega Victory Limited, a previous subsidiary of the Company which owned the trading arm of the Group. After the disposal, the Group has ceased the trading of goods business but still retains a 45% interest in Mega Victory Limited.

Trading of securities

The trading of securities remains as a significant part of the Group's business. Revenue from the sales of securities for the year amounted to HK$316,909,000 (2006: HK$48,036,000). The segment had recorded a loss of HK$27,519,000 (2006: HK$2,654,000) 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 HK$26,449,000 (2006: HK$26,369,000). The business recorded a loss of HK$41,071,000 in the year (2006: HK$151,000 profit) mainly due to the impairment loss of HK$67,479,000 incurred in the year in relation to loans receivable.

Insurance

After the acquisition of Cinergy Holdings Limited, the Group had commenced its participation in the insurance and brokerage business in the year. The next goal of the Group is to establish a life insurance company to conduct long term business in Hong Kong. The insurance brokerage business recorded a turnover of HK$2,092,000 and a segmental loss of HK$4,055,000 in the year.

Property holding

During the year, the Group had increased its investment in commercial properties. The total rental income generated from the property holding and investment business for the year amounted to HK$1,228,000 (2006: nil) and the segment recorded a profit of HK$1,794,000 (2006: HK$2,903,000 loss). In view of the improving property market, the Group is continually looking for property investment opportunities and has acquired certain other high quality commercial properties after the year end.

Investment holding

During the year, the Group had acquired further interest in the financial services group, Hennabun Capital Group Limited (formerly known as Hennabun Management International Limited) ("HCGL") which subsequently became an associate of the Group after the completion of the approval procedures by the regulatory bodies.

HCGL 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. Because of the non-performing result of the investment, the Group has recently disposed of its entire interest in HCGL and the disposal was completed in July 2007.

FINANCIAL REVIEW

Liquidity, Financial Resources and Capital Structure

As at 31st March 2007, the net current assets of the Group amounted to HK$496,089,000 (2006: HK$316,525,000) and the current ratio (current assets/current liabilities) was 17.4 (2006: 16.2). The bank and cash balances were HK$72,626,000 (2006: HK$30,426,000).

As at 31st March 2007, the Group had secured bank loans of approximately HK$43,073,000 (2006: Nil), unsecured other borrowings of approximately HK$19,529,000 (2006: HK$12,004,000), nil balance of bank overdraft (2006: HK$762,000) and nil balance of margin financing payable (2006: HK$2,929,000). HK$41,145,000 of the secured bank loans were repayable after one year whilst HK$1,928,000 of the secured bank loans and the unsecured other borrowings were repayable within one year. Gearing ratio calculated on the basis of the Group's total borrowing over shareholders' funds was 10.62% (2006: 3.13%) at the balance sheet date. 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 is no exposure to fluctuations in exchange rates in relation to the borrowings.

The capital commitments of the Group at year end was approximately HK$6,618,000 (2006: HK$6,123,000). In light of the amount of liquid assets on hand and banking facility available, the Directors are of the view that the Group has sufficient financial resources to meet its ongoing operational requirements.

The Group's assets portfolio is mainly financed by its shareholders' funds. As at 31st March 2007, the Group had shareholders' funds of HK$589,238,000 (2006: HK$501,643,000). During the financial year, the Company had carried out several placings of shares pursuant to which a total of 1,012,000,000 new shares were issued with net proceeds of approximately HK$167,100,000 raised. Net proceeds of approximately HK$52,200,000 had also been raised by the Company during the year from the conversion of convertible notes issued by the Company into new 226,337,447 shares of the Company. A total of 303,580,000 new shares were also issued during the year through the exercises of certain share options in accordance with the Company's share option scheme and net proceeds of approximately HK$47,097,000 therefrom was applied to the working capital of the Group. Moreover, during the year, the Company had issued a total of 255,000,000 new shares as consideration shares for the acquisition of certain investments.

The change in shareholders' funds during the financial year was mainly the result of the above-mentioned funding activities of the Company and the net loss of the Group for the year of HK$212,262,000.

During the year, the Company had undergone a capital reorganization pursuant to which the nominal values of the shares of the Company have been reduced from HK$0.20 each to HK$0.10 each and the credit arising from such reduction plus the credit of the share premium account have been applied towards canceling the accumulated losses of the Company.

Foreign Currency Management

The Group's foreign currency transactions are mostly denominated in Renminbi. As the exchange rate of Hong Kong dollars to Renminbi has been stable and the amount of foreign currency transactions is not material, the Directors are of the view that the Group's exposure to exchange rate risk is not material.

Pledge of Assets

As at 31st March 2007, leasehold land and building with total carrying amount of approximately HK$5,193,000 (2006: Nil) 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$62,540,000 (2006: Nil) were pledged to secure general banking facilities granted to the Group and investments held for trading of approximately HK$132,006,000 (2006: HK$25,911,000) were pledged to a financial institution to secure margin financing facilities provided to the Group.

Contingent Liabilities

Details of the Group's material contingent liabilities as of 31st March 2007 are set out in note 35 to the financial statement.

Subsequent Events

Details of the Group's subsequent events after 31st March 2007 are set out in note 39 to the financial statements.

Employees' Remuneration Policy and Retirement Benefits Scheme

As at 31st March 2007, the Group employed about 35 staff members including directors of the Company. Staff costs incurred for the year, including directors' remuneration, was approximately HK$10,596,000 (2006: HK$6,151,000).

It is 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, include granting of share options, are structured to motivate individual performance and contributions to the Group.

The Company has adopted a share option scheme on 23rd August 2002 for the Directors and the employees.

The Group operates a defined contribution Mandatory Provident Fund retirement benefits scheme under the Mandatory Provident Fund Schemes Ordinance for its employees.

BUSINESS PROSPECTS

The Group has set its goal towards the establishment of a well managed financial services conglomerate which include insurance and related businesses. As disclosed previously, the Group will 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. At present, the Group is in the process of applying to the regulatory authority for approval to carry out long term life insurance business in Hong Kong. The Company is optimistic that participation in the insurance industry will 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 its shareholders.

In the past year, the Company has completed several fund raising activities and substantially increased its capital base. The management is of the view that the Group is now well-positioned to expand our insurance business with the aim to become one of the major life insurers in the Hong Kong.

APPRECIATION

The Directors would like to express its gratitude to all shareholders, business partners, banks, professional parties and employees of the Company for their continual patronage and support.

By order of the Board

Yang Fan Shing, Andrew
Chairman

Hong Kong, 27th July 2007

Biographical Details of Directors

Dr. Yang Fan Shing, Andrew, aged 66, 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 48 years in the insurance industry. Dr. Yang had previously held key executive roles in major insurance companies in Hong Kong.

Mr. Kwong Wai Tim, William, aged 50, joined the Company as Managing Director in November 2000. He is in charge of the overall strategic planning and public relation of the Group. He holds a MBA degree from the University of Oregon, U.S.A.. Mr. Kwong has over 15 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 of Hong Kong Limited from 1995 to 1997 and a Director and Chairman of the Finance Committee of Hong Kong Securities Clearing Company Limited from 1996 to 1997.

Ms. Kwok Wai Ming, aged 43, 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 15 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.

Ms. Au Shuk Yee, Sue, aged 42, 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 10 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.

Mr. Chiu Siu Po, aged 58, joined the Company as Independent Non-executive Director in January 2006. Mr. Chiu is the Managing Director and Chief Executive Officer of More Fortune Company Limited. He has over 20 years experience in textile industry and has extensive corporate and investment experience in both Hong Kong and the PRC markets.

Ms. Hui Wai Man, Shirley, aged 40, joined the Company as Independent Non-executive Director in February 2006. Ms. Hui is a practicing accountant in Hong Kong. She has over 20 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 an Independent Non-executive Director of Eco-Tek Holdings Limited and Fortuna International Holdings Limited, which are listed public companies in Hong Kong.

Mr. Gary Drew Douglas, aged 57, 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 20 years of professional experience in IT business in Japan and USA.

Mr. Peter Temple Whitelam, aged 78, 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.

Corporate Governance Report

The Board of Directors ("Board") of the Company has always valued transparency and accountability as the keys for achieving a high standard of corporate governance, and the Directors are committed to apply the principles and comply with the code provisions of the Code on Corporate Governance Practices as set out in Appendix 14 of the Listing Rules. The Company periodically reviews its corporate governance practices to ensure its continuous compliance with the Code on Corporate Governance Practices. For the year ended 31 March 2007, the Company had complied with the code provisions of the Code.

THE BOARD

The Board is collectively responsible for the leadership, control and overall strategic development of the Group, as well as overseeing internal control, financial performance, overall management and operations of the Group.

As of the date of this annual report, the Board of Directors of the Company comprises four Executive Directors, namely Dr. Yang Fan Shing, Andrew (Chairman), Mr. Kwong Wai Tim, William (Managing Director), Ms. Kwok Wai Ming and Ms. Au Shuk Yee, Sue, and four Independent Non-executive Directors, namely Mr. Chiu Siu Po, Ms. Hui Wai Man, Shirley, Mr. Gary Drew Douglas and Mr. Peter Temple Whitelam. More than one-third of the Board being Independent Non-executive Directors and at least one of them has appropriate professional qualifications, or accounting or related financial management expertise.

Of the Independent Non-executive Directors, Mr. Chiu Siu Po has entered into a letter of appointment with the Company for a term of one year since September 2006. Ms. Hui Wai Man, Shirley and Mr. Gary Drew Douglas have respectively entered into letter of appointment with the Company for a term of one year after the expiry of their previous letters of appointment in February 2007. Mr. Peter Temple Whitelam is currently under a term of appointment of one year since his first appointment in November 2006. All the Independent Non-executive Directors are subject to the rotational retirement requirements under the Company's articles of association.

Each of the Independent Non-executive Directors has made an annual confirmation of independence, and the Company considers that all of the Independent Non-executive Directors are independent in accordance with the guidelines as set out in Rule 3.13 of the Listing Rules.

It is intended that the Board should meet regularly at a monthly basis. Special meetings of the Board will be convened if the situation requires so. For the year ended 31 March 2007, the Board convened a total of 39 board meetings (exclusive of Annual General Meeting and Extraordinary General Meeting and meetings of Board committee constituted by the Board held during the year) and the individual attendance record of the Directors is tabulated as follows:

Name		**Number of meetings held while being a Director**	**Number of meetings attended**
Executive Directors			
Dr. Yang Fan Shing, Andrew *(Chairman)*	(appointed on 24 October 2006)	16	3
Mr. Kwong Wai Tim, William *(Managing Director)*		39	15
Ms. Kwok Wai Ming		39	37
Ms. Au Shuk Yee, Sue	(appointed on 16 June 2006)	34	26
Ms. Yau Shum Tek, Cindy	(resigned on 14 August 2006)	12	9
Mr. Lai Ming Wai	(resigned on 15 August 2006)	12	11

Name		Number of meetings held while being a Director	Number of meetings attended
Independent Non-executive Directors			
Mr. Chiu Siu Po		39	2
Ms. Hui Wai Man, Shirley		39	3
Mr. Gary Drew Douglas		39	2
Mr. Peter Temple Whitelam	(appointed on 8 November 2006)	12	–
Mr. Lam Ping Cheung	(resigned on 26 June 2006)	6	–
Mr. Lo Ming Chi, Charles	(resigned on 21 August 2006)	14	1

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The Chairman of the Company, Dr. Yang Fan Shing, Andrew took up the role of providing leadership for the Board since the resignation of Ms. Yau Shum Tak, Cindy as Chairman and Director on 14 August 2006 and the resignation of Mr. Gary Drew Douglas as Acting Chairman on 24 October 2006. One of the major roles of Dr. Yang is to ensure that the Board works effectively and discharge its responsibility properly. Dr. Yang also ensures that good corporate governance practice is in force from time to time, and all key issues are discussed by the Board in a timely manner.

The Managing Director of the Company, Mr. Kwong Wai Tim, William who acts as the role of Chief Executive Officer of the Company, is responsible for implementing the Group's investment strategies and managing the day-to-day business of the Group.

REMUNERATION COMMITTEE

The Remuneration Committee (the "Committee") comprises one Executive Director, namely Ms. Kwok Wai Ming and two Independent Non-executive Director, namely Mr. Chiu Siu Po and Ms. Hui Wai Man, Shirley. One meeting was held during the year and all members of the Committee had attended that meeting.

The major roles and functions of the Committee as per the terms of reference are as follows:

- to make recommendations to the Board on the Group's policy and structure for the remuneration of the Directors and senior management;
- to review and recommend the remuneration packages of all Executive Directors for approval by the Board; and
- to review and approve compensation payable to Directors in connection with loss of their offices or compensation arrangement relating to dismissal or removal of Director.

The Committee has every right to access to professional advice relating to remuneration proposal if considered necessary. During the year, no Director was involved in deciding his/her remuneration.

NOMINATION OF DIRECTORS

The Company has not set up any nomination committee. Directors are responsible for identifying suitable qualified individuals for directorship and make recommendation to the Board for consideration. The Board will identify and recommend the proposed candidates to the Board for approval of an appointment as a director based on certain criteria such as appropriate experience and personal skills that the nominated individual can bring into the Board, his or her capability to maintain and improve the competitiveness of the Company, and his or her ability to contribute to the Board in formulating Company's policy and strategies, as well as to the effective ways of discharging the Board's responsibilities.

As far as the nomination and appointment of Directors are concerned, one Board meeting was convened during the year and Mr. Kwong Wai Tim, William, Ms. Kwok Wai Ming and Ms. Au Shuk Yee, Sue had attended to that meeting.

CODE OF CONDUCT ON DIRECTORS' SECURITIES TRANSACTION

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 of the Listing Rules as the Code of Conduct regarding directors' securities transactions. Specific enquiry has been made of all the Directors, and the Company is satisfied that all the Directors have fully complied with the required standards set out in the Code of Conduct during the year under review.

AUDITOR'S REMUNERATION

For the year ended 31 March 2007, the remuneration payable to the Company's external auditors is approximately HK$2,527,000 for audit services.

AUDIT COMMITTEE

The Company has an Audit Committee which comprises four Independent Non-executive Directors at the date of this annual report.

During the year, the Audit Committee had reviewed the Company's interim report for the six months ended 30 September 2006 and the annual report for the year ended 31 March 2006. The principal duties of the Audit Committee include:

- monitoring integrity of the Company's financial statements and reports;
- reviewing financial controls, internal controls, and risk management system; and
- reviewing the Company's financial and accounting policies and practices.

The Audit Committee is provided with sufficient resources to discharge its duties and has access to independent professional advice if necessary.

The Audit Committee convened two meetings for the year. The individual attendance record of each member of the Audit Committee is tabulated as follows:

Name of Director		Number of meetings held while being a Director	Number of meetings attend
Mr. Chiu Siu Po		2	2
Ms. Hui Wai Man, Shirley		2	2
Mr. Gary Drew Douglas		2	2
Mr. Peter Temple Whitelam	(appointed on 8 November 2006)	1	–
Mr. Lam Ping Cheung	(resigned on 26 June 2006)	–	–
Mr. Lo Ming Chi, Charles	(resigned on 21 August 2006)	1	1

INTERNAL CONTROLS AND RISK MANAGEMENT

The Board has overall responsibility for the system of internal controls and risk management of the Group and to review its effectiveness. During the year, the Board had reviewed and ensured the internal control process had been properly carried out in making investment or divestment decision; documents and records were properly maintained; and the investment or divestment was in compliance with relevant legislations and regulations.

The portfolio of listed securities, classified as available-for-sale equity investments and investments at fair value through profit or loss in the balance sheet, may expose to market price risk. The Board will continue to monitor the portfolio with an aim to reduce such risk by diversification.

DIRECTORS' RESPONSIBILITY STATEMENT

The Directors acknowledge their responsibility for preparation of financial statements for each financial period which give a true and fair view of the state of affairs of the Company and of the results and cash flow for that period. The directors ensure that the financial statements for the year ended 31 March 2007 have been prepared in accordance with statutory requirements and applicable accounting standards. They will also ensure the publication of which be in a timely manner.

Directors' Report

The directors present their annual report and the audited consolidated financial statements for the year ended 31st March 2007.

CHANGE OF NAME

Pursuant to a special resolution passed at extraordinary general meeting held on 11th May 2006, the name of the Company was changed from Inner Mongolia Development (Holdings) Limited（內蒙發展（控股）有限公司）to Freeman Corporation Limited（民豐控股有限公司）.

PRINCIPAL ACTIVITIES

The Company is an investment holding company and provides corporate management services.

The activities of the Company's principal subsidiaries at 31st March 2007 are set out in note 18 to the financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31st March 2007 are set out in the consolidated income statement on page 22.

No dividend was paid by the Company during the year. The directors do not recommend the payment of a final dividend for the year.

SHARE CAPITAL AND CONVERTIBLE NOTES

Details of the movements in the share capital and convertible notes of the Company during the year are set out in notes 28 and 26 to the financial statements respectively.

RESERVES

Details of the movements during the year in the reserves of the Group are set out in the consolidated statement of changes in equity on page 26 to the financial statements.

In accordance with the Company's Articles of Association, dividends shall be payable out of the profits or other reserves of the Company. The Company's reserves available for distribution to the Company's shareholders comprise share premium, capital redemption reserve, contributed surplus, distributable reserve and shareholder's contribution, less accumulated losses, which in aggregate amounted to HK$341,392,000 (2006: HK$361,299,000) at 31st March 2007.

SUMMARY FINANCIAL INFORMATION

A summary of the published results and assets, liabilities and minority interests of the Group for the last five financial years, as extracted from the audited financial statements and restated/reclassified as appropriate, is set out on page 91. This summary does not form part of the audited financial statements.

INVESTMENT PROPERTIES

All investment properties of the Group were fair valued at 31 March 2007. Details of movements during the year in the investment properties of the Group are set out in note 15 to the financial statements.

PROPERTY, PLANT AND EQUIPMENT

Details of movements during the year in the property, plant and equipment of the Group are set out in note 14 to the financial statements.

DIRECTORS AND DIRECTORS' SERVICE CONTRACTS

The directors of the Company during the year and up to the date of this report were:

Executive directors:

Yang Fan Shing, Andrew *(Chairman)*	(appointed on 24th October 2006)
Kwong Wai Tim, William *(Managing Director)*	
Kwok Wai Ming	
Au Shuk Yee, Sue	(appointed on 16th June 2006)
Yau Shum Tek, Cindy	(resigned on 14th August 2006)
Lai Ming Wai	(resigned on 15th August 2006)

Independent non-executive directors:

Chiu Siu Po	
Hui Wai Man, Shirley	
Gary Drew Douglas	
Peter Temple Whitelam	(appointed on 8th November 2006)
Lam Ping Cheung	(resigned on 26th June 2006)
Lo Ming Chi, Charles	(resigned on 21st August 2006)

Non-executive directors are appointed for a period up to their retirement by rotation at the annual general meeting of the Company in accordance with the Company's Articles of Association.

In accordance with Articles 95 and 112 of the Company's Articles of Association, Messrs. Yang Fan Shing, Andrew, Kwok Wai Ming, Chiu Siu Po and Peter Temple Whitelam will retire at the forthcoming annual general meeting and, being eligible, offer themselves for re-election.

None of the directors being proposed for re-election at the forthcoming annual general meeting has a service contract with the Company or any of its subsidiaries which is not determinable by the Group within one year without payment of compensation, other than statutory compensation.

SHARE OPTION SCHEME

The directors have estimated the following theoretical valuations of the options granted during the year, calculated using the Black-Scholes options pricing model as at the date of the grant of the options:

Grantee	Number of options granted during the year	Theoretical value of share options
Employees	100,580,000	2,336,000
Business partners	203,000,000	2,976,000
	303,580,000	5,312,000

The Black-Scholes model is a generally accepted method of valuing options. The significant assumptions used in the calculation of the theoretical value of the options granted by the Company were:

Dividend yield (%)	–
Expected volatility (%)	62.95 – 77.81
Historical volatility (%)	62.95 – 77.81
Risk-free interest rate (%)	3.55 – 3.81
Expected life of options (year)	0.25
Weighted average share price (HK$)	0.119 – 0.155

The measurement date used in the valuation calculations was the date on which the options were granted.

The value of share options calculated using the Black-Scholes model is subject to certain fundamental limitations, due to the subjective nature of and uncertainty relating to a number of the assumptions of expected future performance input to the model, and certain inherent limitations of the model itself.

The value of an option varies with different variables of certain subjective assumptions. Any change to the variables used may materially affect the estimation of the fair of an option.

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

At 31st March 2007, the interests of the directors and their associates in the shares, underlying shares and debentures of the Company or any of its associated corporations, as recorded in the register maintained by the Company pursuant to Section 352 of the Securities and Futures Ordinance (the "SFO") or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers in the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") were as follows:

Long positions

Name of director	Capacity	Number of ordinary shares held	Approximate percentage of shareholding
Yang Fan Shing, Andrew	Interest of controlled corporation	300,000,000 *(Note)*	8.08%
Yang Fan Shing, Andrew	Beneficial owner	30,000,000	0.81%
Yang Fan Shing, Andrew	Interest of spouse	3,000,000	0.08%
Kwok Wai Ming	Beneficial owner	22,500,000	0.61%

Note: Dr. Yang Fan Shing, Andrew beneficially owns the entire issued share capital of Parkson Group Limited which was interested in 300,000,000 shares of the Company at 31st March 2007.

Short position

Name of director	Capacity	Number of ordinary shares held	Approximate percentage of shareholding
Yang Fan Shing, Andrew	Interest of controlled corporation	200,000,000	5.39%

The interests stated above represent the directors' interests in the shares of the Company. The directors' interests in the share options of the Company are disclosed in note 29 to the financial statement.

Save as disclosed above, at 31st March 2007, none of the directors, chief executives nor their associates had any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations as recorded in the register required to be kept under Section 352 of the SFO or which were required to be notified to the Company and the Stock Exchange pursuant to the Listing Rules.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed in note 29 to the financial statements headed "Share Option Scheme", at no time during the year was the Company or any of its subsidiaries a party to any arrangements to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debt securities (including debentures) of, the Company or any other body corporate, and none of the directors, or their spouses or children under the age of eighteen, had any right to subscribe for the securities of the Company, or had exercised any such rights during the year.

INTERESTS AND SHORT POSITIONS OF SHAREHOLDERS DISCLOSEABLE UNDER THE SFO

At 31st March 2007, the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO showed that, other than the interests disclosed above in respect of the director, the following shareholders had notified the Company of relevant interests in the issued share capital of the Company:

(i) Long positions

Name of Shareholders	Capacity	Number of ordinary shares held	Approximate percentage of shareholding
Radford Capital Investment Limited	Beneficial owner	197,958,000	5.33%
Parkson Group Limited	Beneficial owner	300,000,000 *(Note 1)*	8.08%
Liu Lai Shim, Regina	Beneficial owner	3,000,000 *(Note 2)*	0.08%
Liu Lai Shim, Regina	Interest of spouse	330,000,000 *(Note 2)*	8.89%
Honeylink Agents Limited	Interest of controlled corporation	1,380,250,824 *(Note 3)*	29.40%
Get Nice Holdings Limited	Interest of controlled corporation	1,380,250,824 *(Note 3)*	29.40%
Get Nice Incorporated	Interest of controlled corporation	1,380,250,824 *(Note 3)*	29.40%
Get Nice Investment Limited	Beneficial owner	1,380,250,824 *(Note 3)*	29.40%

INTERESTS AND SHORT POSITIONS OF SHAREHOLDERS DISCLOSEABLE UNDER THE SFO *(Continued)*

(i) Long positions *(Continued)*

Notes:

1. Parkson Group Limited is beneficially and wholly owned by Dr. Yang Fan Shing, Andrew, an executive Director and Chairman of the Company.

2. Ms. Liu Lai Shim, Regina, the wife of Dr. Yang Fan Shing, Andrew, an executive Director and Chairman of the Company, was personally interested in 3,000,000 shares of the Company and was also deemed to be interested in 330,000,000 shares of the Company because of the interest of her spouse.

3. These represent the same parcel of shares.

(ii) Short positions

Name of Shareholder	Capacity	Number of Shares	Approximate percentage of shareholding
Liu Lai Shim, Regina	Interest of spouse	200,000,000	5.39%
Parkson Group Limited	Beneficial owner	200,000,000	5.39%

Save as disclosed above, the Company had not been notified by any persons who had interests or short positions in the shares and underlying shares of the Company at 31st March 2007 as recorded in the register required to be kept under Sections 336 of the SFO.

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

On 18th October 2006, the Company and its wholly-owned subsidiary, namely Freeman Agency Limited, entered into a conditional sale and purchase agreement with Dr. Yang Fan Shing, Andrew and two companies wholly owned by Dr. Yang, namely, Andregina Limited and Parkson Group Limited. Pursuant to such agreement, the Group has acquired the entire issued has capital of Cinergy Holdings Limited and its shareholder's loan at a total consideration of 200,000,000 new shares of the Company. Subsequently on 24th October 2006, Dr. Yang Fan Shing, Andrew was appointed as an executive Director and Chairman of the Company.

Save as mentioned above, no contracts of significances to which the Company or any of its subsidiaries was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

CONFIRMATION OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received, from each of the independent non-executive directors, an annual confirmation of his/her independence pursuant to Rule 3.13 of the Listing Rules. The Company considers all the independent non-executive directors be independent.

MAJOR CUSTOMERS AND SUPPLIERS

In the year under review, sales to the Group's five largest customers accounted for less than 30% of the total sales for the year and purchases from the Group's five largest suppliers accounted for less than 30% of the total purchases for the year.

CHARITABLE CONTRIBUTIONS

During the year, the Group made charitable contributions totally HK$1,168,000.

DISCLOSURE REQUIREMENTS OF RULE 13.13, 13.15 AND 13.20 OF THE LISTING RULES

In accordance with the requirements of Rule 13.13, 13.15 and 13.20 of the Listing Rules, the directors of the Company reported below advances given to the following entities as at 31st March 2007 which represent more than 8% of the assets ratio (as defined in Rule 14.07(1) of the Listing Rules).

As at 31st March 2007, Hansom Finance Limited, a wholly-owned subsidiary of the Company and being a licensed money lender in Hong Kong, had provided loans to the following entities during the course of its businesses. The details of the loans are set out below:

i) Borrower: Best Decade Holdings Limited

Amount of the loan outstanding as at 31st March 2007: HK$63,693,890
Interest accrued as at 31st March 2007: HK$244,000
Interest rate: prime rate quoted by The Hongkong and Shanghai Banking Corporation Limited (the "Prime Rate") plus 3% per annum
Date of commencement of the loan: 24th February 2004
Maturity date: 24th February 2007
Security given: a continuing and unconditional third party guarantee
The loan was sequently settled in July 2007
The borrower is third party independent of the Company and connected persons (as defined in the Listing Rules) of the Company.

(ii) Borrower: Hennabun Capital Group Limited (formerly known as Hennabun Management International Limited)

Amount of the loan outstanding as at 31st March 2007: HK$50,000,000
Interest accrued as at 31st March 2007: HK$3,108,000
Interest rate: Prime Rate plus 1% per annum
Date of commencement of the loan: 26th June 2006
Period of the facilities: from 26th June 2006 to 25th June 2007 and repayable on demand
Security given: Nil

Hennabun Capital Group Limited was an associate of the Group during the period from 6th February 2007 to 10th June 2007 when the Group held 48.96% of the issued share capital of it.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's Articles of Association, or the laws of the Cayman Islands, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

EMOLUMENT POLICY

The emolument policy of the employees of the Group is set up by the board of directors on the basis of their merit, qualifications and competence.

The emoluments of the directors of the Company are decided by the directors, who are authorised by the shareholders in the annual general meeting, having regard to the Group's operating results, individual performance and comparable market statistics.

The Company has adopted a share option scheme as an incentive to directors and eligible employees, details of the scheme are set out in note 29 to the financial statements.

POST BALANCE SHEET EVENTS

Details of the significant post balance sheet events are set out in note 39 to the financial statements.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of directors, at least 25% of the Company's total issued share capital is held by the public as at the date of this report.

AUDITORS

The Company's previous auditors, Messrs. Deloitte Touche Tohmatsu resigned as auditors of the Company and its subsidiaries in April 2007. Following the resignation of Messrs. Deloitte Touche Tohmatsu, Messrs. Ernst & Young have been appointed as auditors of the Group to fill the casual vacancy and to hold office until the conclusion of the coming annual general meeting of the Company. A resolution will be submitted to the coming annual general meeting of the Company to re-appoint Messrs. Ernst & Young as auditors of the Company.

On behalf of the Board

Yang Fan Shing, Andrew
Chairman

Hong Kong, 27th July 2007

Independent Auditors' Report

ERNST & YOUNG

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

Consolidated Income Statement

Year ended 31 March 2007

	Notes	2007 HK$'000	2006 HK$'000
CONTINUING OPERATIONS			
REVENUE	*5*	**350,181**	74,405
Cost of sales and carrying amount of equity investments sold		**(331,435)**	(57,715)
Gross profit		**18,746**	16,690
Other income and gains	*5*	**1,338**	7,514
Gains/(losses) arising from changes in fair value of investment properties	*15*	**1,157**	(2,700)
Loss on disposal of available-for-sale equity investments		**(15,932)**	–
Loss on redemption of convertible notes		**(1,359)**	–
Fair value loss on derivative instrument		**(21,308)**	–
Loss on disposal of subsidiaries	*31(b)*	**(7,564)**	–
General and administrative expenses		**(29,350)**	(13,570)
Impairment of goodwill	*17*	**(44,050)**	–
Impairment of loans receivable	*21*	**(67,479)**	(26,247)
Impairment of available-for-sale equity investments		**–**	(34,130)
Finance costs	*7*	**(7,467)**	(1,274)
Share of profit of an associate, net of impairment of an investment in an associate	*19*	**(41,692)**	400
LOSS BEFORE TAX	*6*	**(214,960)**	(53,317)
Tax	*10*	**1,927**	(2,383)
LOSS FOR THE YEAR FROM CONTINUING OPERATIONS	*11*	**(213,033)**	(55,700)
DISCONTINUED OPERATION			
Profit/(loss) for the year from a discontinued operation	*12*	**771**	(104,070)
LOSS FOR THE YEAR		**(212,262)**	(159,770)
LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	*13*		
Basic			
– For loss for the year		**HK (14.52) cents**	HK (67.46) cents
– For loss from continuing operations		**HK (14.57) cents**	HK (23.52) cents
Diluted			
– For loss for the year		**N/A**	N/A
– For loss from continuing operations		**N/A**	N/A

Consolidated Balance Sheet

At 31 March 2007

	Notes	2007 HK$'000	2006 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	*14*	**2,145**	1,348
Investment properties	*15*	**63,340**	3,000
Prepaid land premium	*16*	**4,100**	–
Goodwill	*17*	**12,129**	–
Investment in an associate	*19*	**50,000**	–
Available-for-sale equity investments	*20*	**–**	67,870
Loans receivable	*21*	**–**	112,900
Deposits paid for purchases of investment properties		**3,036**	–
Total non-current assets		**134,750**	185,118
CURRENT ASSETS			
Prepayments, deposits and other receivables	*22*	**26,461**	132,366
Loans receivable	*21*	**295,230**	124,054
Investments at fair value through profit or loss	*23*	**132,006**	50,309
Tax recoverable		**27**	300
Cash and bank balances	*24*	**72,626**	30,426
Total current assets		**526,350**	337,455
CURRENT LIABILITIES			
Other payables and accruals		**8,804**	5,690
Interest-bearing bank and other borrowings	*25*	**21,457**	12,766
Tax payable		**–**	2,474
Total current liabilities		**30,261**	20,930
NET CURRENT ASSETS		**496,089**	316,525
TOTAL ASSETS LESS CURRENT LIABILITIES		**630,839**	501,643

Consolidated Balance Sheet

At 31 March 2007

	Notes	2007 HK$'000	2006 HK$'000
TOTAL ASSETS LESS CURRENT LIABILITIES		**630,839**	501,643
NON-CURRENT LIABILITIES			
Interest-bearing bank borrowings	*25*	**41,145**	–
Deferred tax liabilities	*27*	**456**	–
Total non-current liabilities		**41,601**	–
Net assets		**589,238**	501,643
EQUITY			
Equity attributable to equity holders of the Company			
Issued capital	*28*	**247,397**	135,411
Reserves	*30(a)*	**341,841**	366,232
Total equity		**589,238**	501,643

Yang Fan Shing, Andrew
Director

Kwong Wai Tim, William
Director

Consolidated Statement of Changes in Equity

Year ended 31 March 2007

		Attributable to equity holders of the Company									
		Issued capital	Share premium account	Share option notes	Capital redemption reserve	Distributable reserve	Special reserve	Available-for-sale equity investments revaluation reserve	Exchange fluctuation reserve	Accumulated losses	Total equity
	Notes	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 1 April 2005		40,211	321,113	–	485	595,191	35,131	–	–	(485,411)	506,720
Changes in fair value of available-for-sale equity investments		–	–	–	–	–	–	30,398	–	–	30,398
Exchange realignment		–	–	–	–	–	–	–	4,034	–	4,034
Total income for the year recognised directly in equity		–	–	–	–	–	–	30,398	4,034	–	34,432
Loss for the year		–	–	–	–	–	–	–	–	(159,770)	(159,770)
Total income and expense for the year		–	–	–	–	–	–	30,398	4,034	(159,770)	(125,338)
Placement of new shares	*28(b)*	92,800	27,480	–	–	–	–	–	–	–	120,280
Equity-settled share option arrangements		–	–	256	–	–	–	–	–	–	256
Exercise of share options	*28(c)*	2,400	784	(256)	–	–	–	–	–	–	2,928
Share issue expenses		–	(803)	–	–	–	–	–	–	(2,400)	(3,203)
At 31 March 2006		135,411	348,574*	–*	485*	595,191*	35,131*	30,398*	4,034*	(647,581)*	501,643

Consolidated Statement of Changes in Equity

Year ended 31 March 2007

	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$'000	Available–for-sale equity investment revaluation reserve HK$'000	Exchange fluctuation reserve HK$'000	Accumulated losses HK$'000	Total equity HK$'000
		Attributable to equity holders of the Company										
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 equity 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(d), (h)	161,200	9,900	–	–	–	–	–	–	–	–	171,100
Issuance of consideration shares	28(e), (g)	31,000	33,000	–	–	–	–	–	–	–	–	64,000
Redemption of convertible notes	26	–	–	(3,501)	–	–	–	–	–	–	1,025	(2,476)
Conversion of convertible notes	26, 28(i)	22,634	32,287	(4,279)	–	–	–	–	–	–	–	50,642
Capital reorganisation	28(f)	(133,206)	(327,552)	–	–	–	–	–	–	–	460,758	–
Equity-settled share option arrangements		–	–	–	5,312	–	–	–	–	–	–	5,312
Exercise of share options	28(j)	30,358	16,739	–	(5,312)	–	–	–	–	–	–	41,785
Release on disposal of a subsidiary	31(b)	–	–	–	–	–	–	–	–	(4,034)	–	(4,034)
Release on disposal		–	–	–	–	–	–	–	(12,415)	–	–	(12,415)
Release on impairment of an associate##	19	–	–	–	–	–	–	–	(26,177)	–	–	(26,177)
Share issue expenses		–	(3,854)	–	–	–	–	–	–	–	–	(3,854)
At 31 March 2007		**247,397**	**109,094***	**–***	**–***	**485***	**595,191***	**35,131***	**–***	**–***	**(398,060)***	**589,238**

* These reserve accounts comprise the consolidated reserves of HK$341,841,000 (2006: HK$366,232,000) 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 interest in an associate has acquired through the exercise of the associate's convertible notes which was originally accounted for as an available-for-sale investment.

Consolidated Cash Flow Statement

Year ended 31 March 2007

	Notes	2007 HK$'000	2006 HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit/(loss) before tax:			
From continuing operations		**(214,960)**	(53,317)
From a discontinued operation	*12*	**771**	(104,030)
Adjustments for:			
Finance costs	*7*	**7,467**	1,274
Share of profit of an associate, net of impairment of an investment in an associate		**41,692**	(400)
Interest income	*5*	**(30,261)**	(26,454)
Depreciation	*6*	**595**	365
Recognition of prepaid land premium	*6*	**5**	–
Fair value gains on investments at fair value through profit or loss, net	*5*	**(373)**	(7,100)
Gain on disposal of an investment property	*5*	**(393)**	–
Loss on write-off of items of property, plant and equipment	*6*	**188**	344
Loss on disposal of available-for-sale equity investments		**15,932**	–
Loss on redemption of convertible notes		**1,359**	–
Fair value loss on derivative instrument		**21,308**	–
Loss on disposal of subsidiaries	*31(b)*	**7,564**	–
Gain on disposal of subsidiaries of a discontinued operation	*12, 31(b)*	**(59,836)**	–
Losses/(gains) arising from changes in fair value of investment properties		**(1,157)**	2,700
Impairment of goodwill		**44,050**	–
Impairment of loans receivable		**67,479**	26,247
Impairment of available-for-sale equity investments		**–**	34,130
Impairment of trade and other receivables and deposits	*12*	**59,065**	103,156
Equity-settled share option expense	*29*	**5,312**	256
		(34,193)	(22,829)
Increase in prepayments, deposits and other receivables		**(9,490)**	(203,049)
Decrease/(increase) in loans receivable		**(125,755)**	162,450
Increase in investments at fair value through profit or loss		**(81,324)**	(43,000)
Increase/(decrease) in other payables and accruals		**(11,230)**	3,970
Cash used in operations		**(261,992)**	(102,458)
Interest received		**30,261**	26,454
Interest paid		**(4,829)**	(1,274)
Hong Kong profits tax refunded/(paid)		**182**	(1,795)
Net cash outflow from operating activities		**(236,378)**	(79,073)

Consolidated Cash Flow Statement

Year ended 31 March 2007

	Notes	2007 HK$'000	2006 HK$'000
Net cash outflow from operating activities		**(236,378)**	(79,073)
CASH FLOWS FROM INVESTING ACTIVITIES			
Dividend received from an associate		**–**	880
Purchases of items of property, plant and equipment	*14*	**(218)**	(1,561)
Proceeds from disposal of items of property, plant and equipment		**–**	110
Purchases of investment properties	*15*	**(59,550)**	–
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**	–
Repayment from an associate		**–**	3,120
Proceeds from disposal of an associate		**–**	14
Proceeds from disposal of available-for-sale equity investments		**13,670**	–
Proceeds from disposal of a discontinued operation	*31(b)*	**127,998**	–
Disposal of subsidiaries	*31(b)*	**6,948**	–
Purchases of available-for-sale investments		**(100,000)**	(29,602)
Net cash outflow from investing activities		**(6,839)**	(27,039)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from placement of new shares	*28*	**171,100**	120,280
Proceeds from issue of convertible notes	*26*	**96,949**	–
Proceeds from exercise of share options	*28(j)*	**41,785**	2,928
Share issue expenses	*28*	**(3,854)**	(3,203)
Drawdown of bank and other borrowings		**220,569**	63,129
Repayment of bank and other borrowings		**(195,370)**	(51,125)
Redemption of convertible notes	*26*	**(45,000)**	–
Net cash inflow from financing activities		**286,179**	132,009
NET INCREASE IN CASH AND CASH EQUIVALENTS		**42,962**	25,897
Cash and cash equivalents at beginning of year		**29,664**	3,744
Effect of foreign exchange rate changes, net		**–**	23
CASH AND CASH EQUIVALENTS AT END OF YEAR		**72,626**	29,664
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances		**72,626**	30,426
Bank overdrafts	*25*	**–**	(762)
		72,626	29,664

Balance Sheet

At 31 March 2007

	Notes	2007 HK$'000	2006 HK$'000
NON-CURRENT ASSETS			
Interests in subsidiaries	*18*	**26,483**	–
CURRENT ASSETS			
Prepayments and other receivables	*22*	**268**	166
Due from subsidiaries	*18*	**505,479**	481,483
Tax recoverable		**27**	300
Cash and bank balances	*24*	**61,472**	30,267
Total current assets		**567,246**	512,216
CURRENT LIABILITIES			
Due to a subsidiary	*18*	**2,075**	871
Other payables and accruals		**2,865**	1,869
Interest-bearing bank and other borrowings	*25*	**–**	12,766
Total current liabilities		**4,940**	15,506
NET CURRENT ASSETS		**562,306**	496,710
Net assets		**588,789**	496,710
EQUITY			
Issued capital	*28*	**247,397**	135,411
Reserves	*30(b)*	**341,392**	361,299
Total equity		**588,789**	496,710

Yang Fan Shing, Andrew
Director

Kwong Wai Tim, William
Director

Notes to the Financial Statements

Year ended 31 March 2007

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 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 also include 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 and equity investments, 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 for the year ended 31 March 2007. 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 during the year 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. The adoption of these new and revised standards and interpretations has had no material effect on these financial statements.

HKAS 21 Amendment	Net Investment in a Foreign Operation
HKAS 39 & HKFRS 4 Amendments	Financial Guarantee Contracts
HKAS 39 Amendment	Cash Flow Hedge Accounting of Forecast Intragroup Transactions
HKAS 39 Amendment	The Fair Value Option
HK(IFRIC)-Int 4	Determining whether an Arrangement contains a Lease
HK(IFRIC)-Int 7	Applying the Restatement Approach under HKAS 29 *Financial Reporting in Hyperinflationary Economies*

2.2 IMPACT OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

(Continued)

The principal changes in accounting policies are as follows:

HKAS 39 *Financial Instruments: Recognition and Measurement*

(i) Amendment for financial guarantee contracts

This amendment has revised the scope of HKAS 39 to require financial guarantee contracts issued that are not considered insurance contracts, to be recognised initially at fair value and to be remeasured at the higher of the amount determined in accordance with HKAS 37 *Provisions, Contingent Liabilities and Contingent Assets* and the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with HKAS 18 *Revenue*. The adoption of this amendment has had no material impact on these financial statements.

(ii) Amendment for the fair value option

This amendment has changed the definition of a financial instrument classified as fair value through profit or loss and has restricted the use of the option to designate any financial asset or any financial liability to be measured at fair value through the income statement. The Group had not previously used this option, and hence the amendment 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.

HKAS 1 Amendment	Capital Disclosures
HKAS 23 (Revised)	Borrowing Costs
HKFRS 7	Financial Instruments: Disclosures
HKFRS 8	Operating Segments
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
HK(IFRIC)-Int 12	Service Concession Arrangements

The HKAS 1 Amendment shall be applied for annual periods beginning on or after 1 January 2007. The revised standard will affect the disclosures about qualitative information about the Group's objectives, policies and processes for managing capital; quantitative data about what the Company regards as capital; and compliance with any capital requirements and the consequences of any non-compliance.

HKFRS 7 shall be applied for annual periods beginning on or after 1 January 2007. The 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 and also incorporates many of the disclosure requirements of HKAS 32 *Financial Instruments: Disclosure and Presentation*.

HKFRS 8 shall be applied for annual periods beginning on or after 1 January 2009. The standard requires the disclosure of information about the operating segments of the Group, the products and services provided by the segments, the geographical areas in which the Group operates, and revenues from the Group's major customers. This standard will supersede HKAS 14 *Segment Reporting*.

HK(IFRIC)-Int 11 shall be applied for annual periods beginning on or after 1 March 2007. This new interpretation prescribes that when the parent grants rights to equity instruments to the employees of the subsidiary, the subsidiary should account for such a scheme as an equity-settled scheme and as an equity contribution by the parent.

HK(IFRIC)-Int 8, HK(IFRIC)-Int 9, HK(IFRIC)-Int 10, HK(IFRIC)-Int 12 and HKAS 23 (Revised) shall be applied for annual periods beginning on or after 1 May 2006, 1 June 2006, 1 November 2006, 1 January 2008 and 1 January 2009, respectively.

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.

Associates

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 share of the post-acquisition results and reserves of associates is included in the consolidated income statement and consolidated reserves, respectively. The Group's interests in associates are stated in the consolidated balance sheet at the Group's share of net assets under the equity method of accounting, less any impairment losses. Goodwill arising from the acquisition of associates is included as part of the Group's interests in associates.

Goodwill

Goodwill arising on the acquisition of subsidiaries 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 associates, 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Goodwill *(Continued)*

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. Each unit or group of units to which the goodwill is so allocated:

- represents the lowest level within the Group at which the goodwill is monitored for internal management purposes; and

- is not larger than a segment based on either the Group's primary or the Group's secondary reporting format determined in accordance with HKAS 14 *Segment Reporting*.

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.

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.

An impairment loss recognised for goodwill is not reversed in a subsequent period.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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, however 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.

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:

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Property, plant and equipment and depreciation *(Continued)*

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 property for subsequent accounting is its fair value at the date of change in use.

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 considers whether a contract contains an embedded derivative when the Group first becomes a party to it. The embedded derivatives are separated from the host contract which is not measured at fair value through profit or loss when the analysis shows that the economic characteristics and risks of embedded derivatives are not closely related to those of the host 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Investments and other financial assets *(Continued)*

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.

Financial assets may be designated upon initial recognition as at fair value through profit or loss if the following criteria are met: (i) the designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or recognising gains or losses on them on a different basis; (ii) the assets are part of a group of financial assets which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management strategy; or (iii) the financial asset contains an embedded derivative that would need to be separately recorded.

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. 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.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Investments and other financial assets *(Continued)*

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 (that is, 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.

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

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. 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 loan receivables, a provision for impairment is made when there is objective evidence (such as the probability of insolvency or significant financial difficulties of the loan 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 loan receivables is reduced through the use of an allowance account. Impaired debts are derecognised when they are assessed as uncollectible.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Impairment of financial assets *(Continued)*

Assets carried at cost

If there is objective evidence that an impairment loss on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured 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 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. 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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

Financial liabilities including trade payables, 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.

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 plus 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Income tax *(Continued)*

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.

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").

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Share-based payment transactions *(Continued)*

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 employee/advisor 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.

Employee benefits

Share-based payment transactions

The Company operates a share option scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations as further explained in the accounting policy for "Share-based payment transactions" above.

Retirement benefits 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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) sales of goods, when the significant risks and rewards of ownership have been transferred to the buyer, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold;

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

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

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

(e) 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

(f) 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.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

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. The carrying amount of goodwill of the Group at 31 March 2007 was HK$12,129,000 (2006: Nil). More details are given in note 17 to the financial statements.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES *(Continued)*

Estimation uncertainty *(Continued)*

Estimation of fair value of investment properties

The fair value of the Group's investment properties 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 unlisted equity investments

For available-for-sale financial assets, a significant or prolonged decline in fair value below cost is considered to be an objective evidence of impairment. Judgement is required when determining whether a decline in fair value has been significant or prolonged. In making this judgement, the historical data on market volatility as well as the price of the specific investment are taken into account. The Company also considers other factors, such as industry and sector performance and financial information regarding the issuer. As at 31 March 2006, the carrying amount of the unlisted equity investment was HK$7,870,000, net of impairment provision of HK$82,130,000.

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 consultants 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 for revenue and results as over 90% of the Group's revenue is derived from customers based 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 and the provision of related investment linked financial products 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.

4. SEGMENT INFORMATION *(Continued)*

(a) 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 2007 and 2006.

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	
	2007 HK$'000	2006 HK$'000	**2007 HK$'000**	2006 HK$'000	**2007 HK$'000**	2006 HK$'000	**2007 HK$'000**	2006 HK$'000	**2007 HK$'000**	2006 HK$'000	**2007 HK$'000**	2006 HK$'000	**2007 HK$'000**	2006 HK$'000	**2007 HK$'000**	2006 HK$'000	**2007 HK$'000**	2006 HK$'000
Segment revenue:																		
Revenue from external customers	**316,909**	48,036	**26,449**	26,369	**1,228**	–	**2,092**	–	**3,503**	–	**–**	–	**350,181**	74,405	**–**	23,355	**350,181**	97,760
Intersegment sales	**–**	–	**–**	–	**–**	–	**–**	–	**11,570**	–	**(11,570)**	–	**–**	–	**–**	–	**–**	–
Other revenue	**398**	7,261	**191**	74	**1,550**	–	**47**	–	**–**	95	**–**	–	**2,186**	7,430	**–**	–	**2,186**	7,430
Total	**317,307**	55,297	**26,640**	26,443	**2,778**	–	**2,139**	–	**15,073**	95	**(11,570)**	–	**352,367**	81,835	**–**	23,355	**352,367**	105,190
Segment results	**(27,519)**	(2,654)	**(41,071)**	151	**1,794**	(2,903)	**(4,055)**	–	**(23,953)**	(34,327)	**(11,570)**	–	**(106,374)**	(39,733)	**771**	(104,030)	**(105,603)**	(143,763)
Interest and unallocated income													**26,658**	84	**–**	–	**26,658**	84
Unallocated expenses													**(86,085)**	(12,794)	**–**	–	**(86,085)**	(12,794)
Finance costs													**(7,467)**	(1,274)	**–**	–	**(7,467)**	(1,274)
Share of profit of an associate, net of impairment of an investment in an associate	**–**	–	**–**	–	**–**	–	**–**	–	**(41,692)**	400	**–**	–	**(41,692)**	400	**–**	–	**(41,692)**	400
Profit/(loss) before tax													**(214,960)**	(53,317)	**771**	(104,030)	**(214,189)**	(157,347)
Tax													**1,927**	(2,383)	**–**	(40)	**1,927**	(2,423)
Profit/(loss) for the year													**(213,033)**	(55,700)	**771**	(104,070)	**(212,262)**	(159,770)
Assets and liabilities																		
Segment assets	**154,725**	50,310	**304,681**	236,968	**72,711**	3,616	**3,861**	–	**685,426**	408,645	**(623,601)**	(340,775)	**597,803**	358,764	**–**	130,996	**597,803**	489,760
Investment in an associate	**–**	–	**–**	–	**–**	–	**–**	–	**50,000**	–	**–**	–	**50,000**	–	**–**	–	**50,000**	–
Unallocated assets													**13,297**	32,813	**–**	–	**13,297**	32,813
Total assets													**661,100**	391,577	**–**	130,996	**661,100**	522,573
Segment liabilities	**196,765**	94,170	**373,339**	251,973	**75,650**	509	**45,991**	–	**3,011**	12,008	**(623,601)**	(340,775)	**71,155**	17,885	**–**	115	**71,155**	18,000
Unallocated liabilities													**707**	2,930	**–**	–	**707**	2,930
Total liabilities													**71,862**	20,815	**–**	115	**71,862**	20,930

4. SEGMENT INFORMATION *(Continued)*

(a) Business segments *(Continued)*

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	
	2007 HK$'000	2006 HK$'000	**2007 HK$'000**	2006 HK$'000	**2007 HK$'000**	2006 HK$'000	**2007 HK$'000**	2006 HK$'000	**2007 HK$'000**	2006 HK$'000	**2007 HK$'000**	2006 HK$'000	**2007 HK$'000**	2006 HK$'000	**2007 HK$'000**	2006 HK$'000	**2007 HK$'000**	2006 HK$'000
Other segment information:																		
Depreciation – allocated	**–**	–	**–**	–	**7**	–	**121**	–	**–**	323	**–**	–	**128**	323	**–**	42	**128**	365
Depreciation – unallocated	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**467**	–	**–**	–	**467**	–
Fair value gains/(losses) arising from changes in fair value of investment properties, net	**–**	–	**–**	–	**1,157**	(2,700)	**–**	–	**–**	–	**–**	–	**1,157**	(2,700)	**–**	–	**1,157**	(2,700)
Impairment of loans receivable	**–**	–	**67,479**	26,247	**–**	–	**–**	–	**–**	–	**–**	–	**67,479**	26,247	**–**	–	**67,479**	26,247
Impairment of trade and other receivables and deposits	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**59,065**	103,156	**59,065**	103,156
Impairment of available-for-sale equity investments	**–**	–	**–**	–	**–**	–	**–**	–	**–**	34,130	**–**	–	**–**	34,130	**–**	–	**–**	34,130
Fair value gains on investments at fair value through profit or loss	**373**	7,100	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	373	7,100	**–**	–	**373**	7,100
Loss on redemption of convertible notes	**–**	–	**–**	–	**–**	–	**–**	–	**(1,359)**	–	**–**	–	**(1,359)**	–	**–**	–	**(1,359)**	–
Capital expenditure	**–**	–	**–**	–	**68,801**	–	**–**	–	**–**	1,225	**–**	–	**68,801**	1,225	**–**	336	**68,801**	1,561

(b) Geographical segments

The following table presents certain asset and expenditure information for the Group's geographical segments for the years ended 31 March 2006 and 2007.

	Carrying amount of segment assets		Capital expenditure	
	2007 HK$'000	2006 HK$'000	**2007 HK$'000**	2006 HK'000
Hong Kong	**660,300**	386,878	**68,801**	1,211
Mainland China	**800**	135,395	**–**	350
	661,100	522,273	**68,801**	1,561

5. REVENUE, OTHER INCOME AND GAINS

Revenue, which is also the Group's turnover, represents interest income earned from the provision of finance; interest income and dividend income from equity investments; proceeds 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	
	2007	2006
	HK$'000	HK$'000
Revenue		
Interest income from provision of finance	**26,449**	26,369
Interest income from unlisted securities	**3,503**	–
Dividend income from investments at fair value through profit or loss	**163**	–
Proceeds from the sale of investments at fair value through profit or loss	**316,746**	48,036
Gross rental income	**1,228**	–
Insurance agency and brokerage income	**2,092**	–
	350,181	74,405

	Group	
	2007	2006
	HK$'000	HK$'000
Other income and gains		
Bank interest income	**309**	84
Other interest income	**–**	1
Fair value gains on investments at fair value through profit or loss, net	**373**	7,100
Gain on disposal of an investment property	**393**	–
Others	**263**	329
	1,338	7,514

6. LOSS BEFORE TAX

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

	Notes	2007 HK$'000	2006 HK$'000
Depreciation	14	595	365
Recognitions of prepaid land premium	16	5	–
Employee benefits expenses (excluding directors' remuneration (*note 8*)):			
Wages, salaries and allowances		5,287	2,254
Equity-settled share option expenses	29	2,336	256
Pension scheme contributions (defined contribution scheme)*		164	59
		7,787	2,569
Share-based payment paid to an investment advisor for investment advisory services	29	2,976	–
Auditors' remuneration		2,527	1,330
Minimum lease payments under operating leases in respect of land and buildings		940	454
Loss on write-off of items of property, plant and equipment		188	344
Loss on disposal of investments at fair value through profit or loss, net		11,967	9,679
Impairment of an investment in an associate*	19	69,099	–
Direct operating expenses arising on rental-earning investment properties		277	188

* At 31 March 2007, the Group had no material forfeited contributions available to reduce its contributions to the retirement benefits scheme in future years (2006: Nil).

7. FINANCE COSTS

	Group	
	2007	2006
	HK$'000	HK$'000
Interest on:		
Bank loans, overdrafts and other loans		
wholly repayable within five years	**4,829**	1,274
Convertible notes *(note 26)*	**2,638**	–
Total finance costs	**7,467**	1,274

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	
	2007	2006
	HK$'000	HK$'000
Fees	**535**	405
Other emoluments:		
Salaries and other benefits	**2,378**	3,055
Retirement benefits scheme contributions		
(defined contribution scheme)	**56**	122
Less: Forfeited contributions	**(160)**	–
Net pension scheme contributions	**(104)**	122
	2,274	3,177
	2,809	3,582

8. DIRECTORS' REMUNERATION *(Continued)*

(a) Independent non-executive directors

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

	2007 **HK$'000**	2006 HK$'000
Mr. Chiu Siu Po	**120**	29
Ms. Hui Wai Man, Shirley	**120**	16
Mr. Gary Drew Douglas	**120**	16
Mr. Lam Ping Cheung	**28**	120
Mr. Lo Ming Chi, Charles	**47**	120
Mr. Peter Temple Whitelam	**47**	–
Mr. Kwong Kai Sing, Benny	**–**	104
	482	405

There were no other emoluments payable to the independent non-executive directors during the year (2006: Nil).

8. DIRECTORS' REMUNERATION *(Continued)*

(b) Executive directors

	Fees	Salaries and other benefits	Net pension scheme contributions	Total remuneration
	HK$'000	HK$'000	HK$'000	HK$'000
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
2006				
Ms. Yau Shum Tek, Cindy	–	420	21	441
Mr. Kwong Wai Tim, William	–	1,532	56	1,588
Mr. Lai Ming Wai	–	810	41	851
Ms. Kwok Wai Ming	–	293	4	297
	–	3,055	122	3,177

* Dr. Yang Fan Shing, Andrew and Ms. Au Shuk Yee, Sue were appointed as executive directors of the Company with effect from 24 October 2006 and 16 June 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 (2006: three) director, details of whose remuneration are disclosed in note 8 above. Details of the remuneration of the remaining four (2006: two) non-director, highest paid employees for the year are as follows:

	Group	
	2007	2006
	HK$'000	HK$'000
Salaries and allowances	**2,858**	813
Employee share option benefits	**711**	32
Pension scheme contributions	**75**	28
	3,644	873

The remuneration of the four (2006: two) non-director, highest paid employees for the year fell within the band of nil to HK$1,000,000.

During the year, 30,580,000 share options were granted to three of the above four non-director, highest paid employees in respect of his/her services to the Group, further details of which are set out in note 29 in the financial statements. The fair value of such share options granted, which has been recognised in 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% (2006: 17.5%) on the estimated assessable profits arising in Hong Kong during the year.

	2007 HK$'000	2006 HK$'000
Group:		
Current – Hong Kong		
Charge for the year	**–**	2,383
Overprovision in prior year	**(2,383)**	–
Deferred *(note 27)*	**456**	–
Tax charge attributable to continuing operations reported in the consolidated income statement	**(1,927)**	2,383
Tax charge attributable to a discontinued operation *(note 12)*	**–**	40

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; and the majority of its subsidiaries' principal place of business) are domiciled to the tax charge/(credit) at the Group's effective tax rates, is as follows:

	Group	
	2007 HK$'000	2006 HK$'000
Loss before tax (including profit from a discontinued operation)	**(214,189)**	(157,347)
Tax credit at the Hong Kong statutory tax rate of 17.5% (2006: 17.5%)	**(37,483)**	(27,536)
Adjustments in respect of current tax of previous periods	**(2,383)**	–
Profit attributable to an associate	**(215)**	(70)
Income not subject to tax	**(682)**	(80)
Expenses not deductible for tax	**23,549**	29,709
Tax losses utilised from previous periods	**(9)**	(179)
Tax losses not recognised	**15,296**	550
Others	**–**	29
Tax charge/(credit) at the Group's effective tax rate of 0.9% (2006: 1.5%)	**(1,927)**	2,423
Tax charge attributable to a discontinued operation	**–**	(40)
Tax charge attributable to continuing operations reported in the consolidated income statement	**(1,927)**	2,383

The share of tax attributable to an associate amounting to HK$215,000 (2006: HK$70,000) is 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 2007 includes a loss of 257,210,000 (2006: HK$125,846,000) which has been dealt with in the financial statements of the Company (note 30(b)).

12. DISCONTINUED OPERATION

During the 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 are 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 has effectively resulted in the discontinuation of the Group's trading of goods operation.

The results of the Mega Victory Group for the year are presented below:

	Note	**2007 HK$'000**	2006 HK$'000
Revenue		**–**	23,355
Cost of sales		**–**	(23,108)
Other income and gains		**–**	868
General and administrative expenses		**–**	(1,989)
Loss of the discontinued operation		**–**	(874)
Impairment loss of trade and other receivables and deposits		**(59,065)***	(103,156)
Gain on disposal of subsidiaries	*31(b)*	**59,836**	–
Profit/(loss) before tax from the discontinued operation		**771**	(104,030)
Tax		**–**	(40)
Profit/(loss) for the year from the discontinued operation		**771**	(104,070)

* As further detailed in note 22 to the financial statements, upon the completion of the disposal of the Mega Victory Group, 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.

12. DISCONTINUED OPERATION *(Continued)*

The cash outflow from the discontinued operation for the year is as follow:

	2007 HK$'000	2006 HK$'000
Operating activities	–	(215,546)
Earnings/(loss) per share:		
Basic, from the discontinued operation	**HK0.05 cent**	HK(43.94) cents
Diluted, from the discontinued operation	**N/A**	N/A

The calculation of basic earnings/(loss) per share from the discontinued operation is based on:

	2007	2006
Profit/(loss) attributable to ordinary equity holders of the Company from the discontinued operation	**HK$771,000**	HK$(104,070,000)
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	**1,462,063,262**	236,820,586

Diluted earnings/(loss) per share amounts for the years ended 31 March 2007 and 2006 have not been disclosed, as the share options outstanding during these years and the convertible notes outstanding during the current year had an anti-dilutive effect on the basic earnings/(loss) per share for these years.

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$212,262,000 (2006: HK$159,770,000), and the weighted average number of 1,462,063,262 (2006: 236,820,586) ordinary shares in issue during the year.

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$213,033,000 (2006: HK$55,700,000 and the weighted average number of 1,462,063,262 (2006: 236,820,586) ordinary shares in issue during the year.

13. LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY *(Continued)*

(b) Diluted loss per share

Diluted loss per share amounts for the years ended 31 March 2007 and 2006 have not been disclosed, as the share options outstanding during these years and the convertible notes outstanding during the current year had an anti-dilutive effect on the basic loss per share amounts for these years.

14. PROPERTY, PLANT AND EQUIPMENT

	Group					
	Building	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 2007						
At 31 March 2006 and 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 *	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$1,040,000 (note 15) at the date of change in use became the deemed cost of the building for subsequent accounting. At 31 March 2007, the building was pledged to secure general banking facilities granted to the Group (note 25).

14. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

	Group				
	Leasehold improvements	Furniture, fixtures and equipment	Computer equipment	Motor vehicles	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
31 March 2006					
At 1 April 2005:					
Cost	365	498	447	668	1,978
Accumulated depreciation	(31)	(306)	(367)	(668)	(1,372)
Net carrying amount	334	192	80	–	606
At 1 April 2005, net of accumulated depreciation	334	192	80	–	606
Additions	–	414	99	1,048	1,561
Disposals	–	(295)	–	(159)	(454)
Depreciation provided during the year	(125)	(117)	(40)	(83)	(365)
At 31 March 2006, net of accumulated depreciation	209	194	139	806	1,348
At 31 March 2006:					
Cost	365	575	546	850	2,336
Accumulated depreciation	(156)	(381)	(407)	(44)	(988)
Net carrying amount	209	194	139	806	1,348

The Group's leasehold property is held under a long term lease and is situated in Hong Kong.

As at 31 March 2007, the Group's building was pledged to secure a bank loan granted to the Group (note 25).

15. INVESTMENT PROPERTIES

	Group	
	2007	2006
	HK$'000	HK$'000
Carrying amount at 1 April	**3,000**	5,700
Acquisition of a subsidiary *(note 31(a))*	**9,033**	–
Additions	**59,550**	–
Disposal of a subsidiary *(note 31(b))*	**(2,200)**	–
Disposal	**(2,000)**	–
Transfer to owner-occupied property*	**(5,200)**	–
Change in fair value of investment properties	**1,157**	(2,700)
Carrying amount at 31 March	**63,340**	3,000
Analysis by geographical location:		
Hong Kong	**62,540**	–
Mainland China	**800**	3,000
	63,340	3,000

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

As at 31 March 2007, the Group's investment properties, with a value of HK$4,140,000 (2006: Nil) are held under medium term leases and HK$59,200,000 (2006: HK$3,000,000) are held under long term leases.

The Group's investment properties were revalued on 31 March 2007 based on valuation performed by Greater China Appraisal Limited, independent professionally qualified valuers, at HK$63,340,000 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 2007, the Group's investment properties situated in Hong Kong with an aggregate carrying value of approximately HK$62,540,000 (2006: Nil) 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 93 to 94.

16. PREPAID LAND PREMIUM

	Group	
	2007	2006
	HK$'000	HK$'000
Transfer from an investment property during the year *(note 15)*	**4,160**	–
Recognised during the year	**(5)**	–
Carrying amount at 31 March	**4,155**	–
Current portion included in prepayments, deposits and other receivables	**(55)**	–
Non-current portion	**4,100**	–

The leasehold land is held under a long term lease and is situated in Hong Kong. At 31 March 2007, the leasehold land was pledged to secure general banking facilities granted to the Group (note 25).

17. GOODWILL

	Group	
	2007	2006
	HK$'000	HK$'000
Acquisition of subsidiaries *(note 31(a))*	**56,179**	–
Impairment during the year	**(44,050)**	–
Carrying amount at 31 March	**12,129**	–
At 31 March 2007:		
Cost	**56,179**	–
Accumulated impairment	**(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 has 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 is 12.5%, which does not exceed the average long-term growth rate for the relevant industry.

17. GOODWILL *(Continued)*

The carrying amount of goodwill allocated to the Cash-generating Unit was HK$12,129,000 at 31 March 2007 (2006: Nil).

Key assumptions were used in the value in use calculation of the Cash-generating Unit as at 31 March 2007. 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	
	2007	2006
	HK$'000	HK$'000
Unlisted shares, at cost	**5**	–
Due from subsidiaries	**28,077**	–
	28,082	–
Provisions for impairment	**(1,599)**	–
	26,483	–

18. INTERESTS IN SUBSIDIARIES *(Continued)*

Except for an amount due from a subsidiary of HK$1,372,000 (2006: Nil) included in the interests in subsidiaries above which bears interest at 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$266,442,000 (2006: HK$223,312,000) which bears interest at 5.5% per annum, the remaining balances with subsidiaries included in the Company's current assets and liabilities of HK$239,037,000 (2006: HK$258,171,000) and HK$2,075,000 (2006: HK$871,000), respectively, are interest-free, and all these balances are unsecured and are repayable on demand or within one year.

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	
Asia Hunter Global Limited	British Virgin Islands	US$1	100	–	Investment holding
Cinergy Holdings Limited	Hong Kong	HK$10,000	–	100	Investment holding
Cinergy Financial Services Limited	Hong Kong	HK$10,000	–	100	Provision of insurance agency services
Cinergy Insurance Services Limited	Hong Kong	HK$10,000	–	100	Provision of insurance broking services
Classic Rank Limited	British Virgin Islands	US$1	100	–	Investment holding
Eastern Sunny Limited	Hong Kong	HK$2	–	100	Provision of management services
Easy Step Limited	Hong Kong	HK$1	–	100	Property investment

18. INTERESTS IN SUBSIDIARIES *(Continued)*

Particulars of the principal subsidiaries at the balance sheet date were as follows: *(continued)*

Name	Place of incorporation and operations	Nominal value of issued ordinary share capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
Equity Spin Investments Limited	British Virgin Islands	US$1	100	–	Investment holding
Freeman Agency Limited	British Virgin Islands	US$1	100	–	Investment holding
Freeman International Limited	Hong Kong	HK$1	–	100	Property investment
Freeman Investment Holdings Limited	Hong Kong	HK$1	–	100	Property investment
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
Longsun Limited	British Virgin Islands	US$1	100	–	Investment holding
Loyal Epoch Limited	British Virgin Islands	US$2	–	100	Investment holding
Sharp Assets Limited	Hong Kong	HK$1	–	100	Property investment
Sharp Castle Limited	Hong Kong	HK$1	–	100	Property investment
Smart Jump Corporation	British Virgin Islands/ Hong Kong	US$1	–	100	Trading in securities
Startech Business Limited	British Virgin Islands/ Hong Kong	US$1	–	100	Property investment
Win Advance Development Limited	Hong Kong	HK$2	–	100	Property investment
Wise Sky Limited	British Virgin Islands	US$1	100	–	Investment holding
Victory Good Limited	Hong Kong	HK$1	–	100	Property investment

18. INTERESTS IN SUBSIDIARIES *(Continued)*

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	
	2007	2006
	HK$'000	HK$'000
Share of net assets	**80,897**	–
Goodwill on acquisition	**38,202**	–
	119,099	–
Less: Provision for impairment	**(69,099)**	–
	50,000	–

Goodwill on acquisition of an associate

	Group	
	2007	2006
	HK$'000	HK$'000
Acquisition of additional interest in HCGL	**38,202**	–
Impairment during the year	**(38,202)**	–
Carrying amount at 31 March	**–**	–
At 31 March:		
Cost	**38,202**	–
Accumulated impairment	**(38,202)**	–
Net carrying amount	**–**	–

The Group's loan receivable balance with the associate is disclosed in note 21 to the financial statements.

19. INTEREST IN AN ASSOCIATE *(Continued)*

Particulars of the associate are 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 Ernst & Young international member firms.

The above associate is indirectly held by the Company and operates in Hong Kong.

Share of profit of the associate, net of impairment of an investment in an associate, is analysed as follows:

	2007 HK$'000	2006 HK$'000
Share of profit	**1,230**	400
Provision for impairment	**(69,099)**	–
Release of available-for-sale equity investment revaluation reserve	**26,177**	–
	(41,692)	400

The financial statements of the above associate have a financial year ending 31 December which is not coterminous with that of the Group. The consolidated financial statements are adjusted for the material transactions between HCGL and Group companies between 1 January and 31 March. HCGL uses 31 March as its reporting date to conform with its holding company's reporting date.

The above associate has been accounted for using the equity method in these financial statement.

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

	2007 HK$'000	2006 HK$'000
Assets	**607,875**	–
Liabilities	**442,643**	–
Revenue	**11,434**	–
Profit	**4,195**	–

20. AVAILABLE-FOR-SALE EQUITY INVESTMENTS

	Group	
	2007	2006
	HK$'000	HK$'000
Hong Kong listed equity investments, at fair value	–	60,000
Unlisted equity investments, at cost	–	90,000
Less: Provision for impairment	–	(82,130)
	–	7,870
	–	67,870

During the year, the net fair value gain of the Group's available-for-sale equity investments recognised directly in equity amounted to HK$8,194,000 (2006: HK$30,398,000) and a net fair value gain of HK$12,415,000 (2006: Nil) was removed from equity and recognised in the consolidated income statement for the year.

The above investments consist of investments in equity securities which were designated as available-for-sale financial assets and have no fixed maturity date.

The fair values of listed equity investments were based on quoted market prices.

As at 31 March 2006, the unlisted equity investments were stated at costs less impairment because the range of reasonable fair value estimates was so significant that the directors were of the opinion that their fair value could not be measured reliably.

21. LOANS RECEIVABLE

	Group	
	2007	2006
	HK$'000	HK$'000
Loans receivable	**362,709**	263,201
Less: Provision for impairment	**(67,479)**	(26,247)
	295,230	236,954
Balances due within one year included in current assets	**(295,230)**	(124,054)
Non-current portion	**–**	112,900

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 4% per month (2006: from Prime Rate to Prime Rate plus 3% per annum). The grantings of these loans were approved and monitored by the Company's executive directors in charge of the Group's provision of finance operation.

Included in the Group's loans receivable was a loan to the Group's associate of HK$53,108,000 as at 31 March 2007 (2006: Nil) (note 36(a)), which was repayable on similar credit terms to those offered to the other borrowers of the Group. The loan was fully settled subsequent to the balance sheet date.

22. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	Group		Company	
	2007	2006	**2007**	2006
	HK$000	HK$000	**HK$000**	HK$000
Deposits and prepayments	**839**	234,995	**140**	56
Other receivables	**23,586**	527	**128**	110
Advances to employees	**2,036**	–	**–**	–
	26,461	235,522	**268**	166
Less: Provision for impairment	**–**	(103,156)	**–**	–
	26,461	132,366	**268**	166

22. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES *(Continued)*

Included in the deposits and prepayments as at 31 March 2006 was an amount of HK$212,596,000 which represented a deposit (the "Deposit") for the purchase of steel products paid by the Group to a supplier (the "Supplier") in the Mainland China in the prior year. The purchase of the steel products in terms of the contract was at a fixed price with an upward price adjustment if the production cost of the supplier increases. Subsequent to the conclusion of the contract, the price of steel products decreased to the extent that the directors considered that it was uneconomical to take delivery of the steel products under this contract. Accordingly, the Group did not place any purchase orders for steel products from the Supplier in the prior year and did try to negotiate with the Supplier for either amendments of the relevant trading terms or a refund of the Deposit.

On 17 July 2006, the Group entered into a conditional agreement with an independent third party (the "Purchaser") to dispose of 55% of its interest in a group of subsidiaries (the "Mega Victory Group"), whose most significant asset is the Deposit, for a cash consideration of HK$128,000,000 (the "Disposal"). Up to the date of approval of the Company's 2006 financial statements, as the completion of a the Disposal was still subject to, among other things, the satisfactory completion of legal and financial due diligence on the Mega Victory Group being performed by the Purchaser and the approval of the Company's shareholders, and the outcome of the negotiation with the Supplier could not be predicted at that time, the directors of the Company considered that the Deposit was impaired, and as such an impairment loss of approximately HK$84,596,000 was recognised in the prior year. This amount was calculated with reference to the consideration that would be received on the Disposal as mentioned above.

On 28 September 2006, the Disposal was completed. As a result of the Disposal, a gain on disposal of approximately HK$59,836,000 was recorded by the Group in the current year.

Upon the completion of the Disposal, the Group does not have the rights to participate in the daily management or the financial and operating policy decisions of the Mega Victory Group, and therefore, it was not in a position to exercise significant influence over its affairs. Accordingly, the Group's remaining 45% interest in the Mega Victory Group has been classified as an available-for-sale investment.

In view of the disposal of the Mega Victory Group during the year, the Group's trading of goods operation carried out by the Mega Victory Group has been accounted for as a discontinued operation as further detailed in note 12 to the financial statements.

23. INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	Group	
	2007	2006
	HK$'000	HK$'000
Listed equity investments, at market value:		
Hong Kong	**92,727**	50,309
Elsewhere	**26,326**	–
	119,053	50,309
Unlisted investment, at fair value	**12,953**	–
	132,006	50,309

The above investments at 31 March 2006 and 2007 were classified as held for trading.

At the balance sheet date, the Group's investments in these securities were pledged to certain financial institutions to secure certain margin financing facilities provided to the Group.

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$157,921,000 (2006: HK$26,632,000).

24. CASH AND CASH EQUIVALENTS

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

25. INTEREST-BEARING BANK AND OTHER BORROWINGS

Group

	Maturity	Effective interest rate (%)	Group 2007 HK$'000	Group 2006 HK$'000	Company 2007 HK$'000	Company 2006 HK$'000
Current						
Bank overdrafts – secured		Higher of Prime*+1.0 or HIBOR^+1.0	**–**	762	**–**	762
Bank loans – secured		Prime*-2.65 to Prime*-1.75	**1,928**	–	**–**	–
Other borrowings – unsecured		Prime*-2 to Prime*+2	**19,529**	12,004	**–**	12,004
			21,457	12,766	**–**	12,766
Non-current						
Bank loans – secured	2016 – 2030	Prime*-2.65 to Prime*-1.75	**41,145**	–	**–**	–
			62,602	12,766	**–**	12,766

25. INTEREST-BEARING BANK AND OTHER BORROWINGS *(Continued)*

	Group		Company	
	2007	2006	**2007**	2006
	HK$000	HK$000	**HK$000**	HK$000
Analysed into:				
Bank loans repayable:				
Within one year	**1,928**	762	**–**	762
In the second year	**2,036**	–	**–**	–
In the third to fifth years, inclusive	**11,204**	–	**–**	–
Beyond five years	**27,905**	–	**–**	–
	43,073	762	**–**	762
Other borrowings repayable within one year	**19,529**	12,004	**–**	12,004
	62,602	12,766	**–**	12,766

^ Denotes the Hong Kong Interbank Offered Rate.

* Represents the Hong Kong dollar prime lending rate as quoted by Wing Hang Bank Limited, Bank of East Asia Limited or Bank of Communication Limited.

Notes:

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

(b) The Group's overdraft facilities amounting to HK$3,000,000 (2006: HK$1,022,000) are secured by the pledge of certain of the Group's investment properties amounting to HK$11,500,000 (2006: Nil). The Group did not utilise any of the overdraft facilities as at 31 March 2007 (2006: HK$762,000).

(c) Certain of the Group's bank loans are secured by:

(i) mortgage over the Group's prepaid land lease premium and building situated in Hong Kong, which had an aggregate carrying value at the balance sheet date of approximately HK$4,155,000 (2006: Nil) (note 16) and HK$1,038,000 (2006: Nil) (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$62,540,000 (2006: Nil);

(iii) a corporate guarantee given by the Company up to HK$50,178,200 (2006: Nil) as at the balance sheet date.

(d) The Group's investments in securities with an aggregate carrying value at the balance sheet date of approximately HK$132,006,000 (2006: HK$25,911,000) were pledged to certain financial institutions to secure certain margin financing facilities provided to the Group which were not utilised as at 31 March 2007 and 2006.

26. CONVERTIBLE NOTES

Pursuant to a placing agreement entered into on 20 November 2006 (the "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 "Convertible Notes"), of which convertible notes in the principal amount of HK$100,000,000 shall be placed on a fully underwritten basis on 12 January 2007 and convertible notes in the principal amount of HK$200,000,000 shall be placed on a best effort basis on 31 March 2007 (or such other date the parties may agree).

The Convertible Notes 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 Convertible Notes. The Convertible Notes were convertible into ordinary shares of the Company in an amount or integral multiple of HK$1,000,000 at any time from the date of issue of the Convertible Notes 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 Convertible Notes would be deemed to be converted at the then prevailing conversion price.

The Convertible Notes, 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 Convertible Notes in the principal amount of HK$100,000,000 on a fully underwritten basis were subscribed for and issued. On 21 February 2007, the Placing Agreement was terminated. As such, the placing of the Convertible Notes 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 Convertible Notes in the principal amount of HK$45,000,000 by the Group at 100% of the outstanding principal amount. Although there was no redemption clause stated in the terms of the Convertible Notes, pursuant to a board resolution of the Company passed on 7 March 2007, the early redemption of the Convertible Notes in the principal amount of HK$45,000,000 was approved.

On 22 March 2007, the remaining outstanding Convertible Notes 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(h)).

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.

26. CONVERTIBLE NOTES *(Continued)*

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
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	–	–	–

27. DEFERRED TAX LIABILITIES

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

Deferred tax liabilities

Group

	Revaluation of properties	
	2007	2006
	HK$'000	HK$'000
At beginning of year	**–**	–
Deferred tax charged to the income statement during the year *(note 10)*	**456**	–
At 31 March	**456**	–

There was no significant unrecognised deferred tax liability in respect of the year or as at the balance sheet date (2006: Nil).

At 31 March 2007, the Group had tax losses arising in Hong Kong of approximately HK$121,546,000 (2006: HK$34,141,000), 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

Shares

	Company 2007 HK$'000	Company 2006 HK$'000
Authorised:		
10,000,000,000 ordinary shares of HK$0.10 (2006: HK$0.20) each	**1,000,000**	2,000,000
Issued and fully paid:		
2,473,973,649 (2006: 677,056,202) ordinary shares of HK$0.10 (2006: HK$0.20) each	**247,397**	135,411

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 2005		4,021,124,045	40,211	321,113	361,324
Share consolidation	*(a)*	(3,820,067,843)	–	–	–
Placement of new shares	*(b)*	464,000,000	92,800	27,480	120,280
Share options exercised	*(c)*	12,000,000	2,400	784	3,184
Share issue expenses		–	–	(803)	(803)
At 31 March 2006 and 1 April 2006		677,056,202	135,411	348,574	483,985
Placement of new shares	*(d)*	600,000,000	120,000	–	120,000
Issue of consideration shares	*(e)*	55,000,000	11,000	–	11,000
Capital reorganisation	*(f)*	–	(133,206)	(327,552)	(460,758)
Issue of consideration shares	*(g)*	200,000,000	20,000	33,000	53,000
Placement of new shares	*(h)*	412,000,000	41,200	9,900	51,100
Conversion of convertible notes	*(i)*	226,337,447	22,634	32,287	54,921
Share options exercised	*(j)*	303,580,000	30,358	16,739	47,097
Share issue expenses		–	–	(3,854)	(3,854)
At 31 March 2007		2,473,973,649	247,397	109,094	356,491

28. SHARE CAPITAL *(Continued)*

Notes:

(a) Pursuant to an ordinary resolution passed on 4 August 2005, a share consolidation on the basis that every 20 shares in the issued and unissued share capital of the Company of HK$0.01 each were consolidated into one consolidated share of HK$0.20 each.

(b) On 13 June 2005, 1 December 2005 and 30 December 2005, the Company allotted and issued 20,000,000, 44,000,000, 400,000,000 ordinary shares of HK$0.20 each for cash to independent third parties at a price of HK$0.54, HK$0.67 and HK$0.20 per share, respectively.

(c) During the year ended 31 March 2006, the subscription rights attaching to 12,000,000 share options granted to certain employees of the Company during that year were exercised at a subscription price of HK$0.244 per share, resulting in the issue of 12,000,000 ordinary shares of HK$0.20 each for a total cash consideration, before expenses, of approximately HK$2,928,000.

(d) 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.

(e) 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.

(f) 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.

(g) On 18 October 2006, a sale and purchase agreement was entered into with an independent third party to acquire 100% equity interest in Cinergy Holdings Limited and its subsidiaries (the "Cinergy 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.

(h) 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.

(i) 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 Convertible Notes with principal amount totalling HK$55,000,000 issued by the Company as further detailed in note 26 to the financial statements.

(j) 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.

Share options

Details of the Company's share option scheme and the share options issued under the scheme are included in note 29 to the financial statements.

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, made 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 of Hong Kong Limited (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 fair value of the share options granted during the year was HK$5,312,000, of which HK$2,336,000 (note 6) related to the employees of the Group and HK$2,976,000 (note 6) related to share-based payment to an investment advisor for the provision of investment advisory services, were recognised in the consolidated income statement during the year ended 31 March 2007.

29. SHARE OPTION SCHEME *(Continued)*

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

Name or category of participant	At 1 April 2006 '000	Granted during the year '000	Exercised during the year '000	Lapsed 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	Price of the company's shares*** Immediately before the exercise date HK$ per share	Price of the company's shares*** 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	–	–
Mr. Lai Ming Wai	1,500	–	–	(1,500)	–	16-01-2004	16-01-2004 to 15-01-2009	1.2	1.06	–	–
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)	–	–						
Advisors											
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						

* 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.

29. SHARE OPTION SCHEME *(Continued)*

The fair value of the share options granted during the year was HK$5,312,000 (2006: HK$256,000).

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 2007:

Dividend yield (%)	–
Expected volatility (%)	62.95 – 77.81
Historical volatility (%)	62.95 – 77.81
Risk-free interest rate (%)	3.55 – 3.81
Expected life of option (year)	0.25
Weighted average share price (HK$)	0.119 – 0.155

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 1,500,000 share options outstanding under the 2002 Scheme.

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 2005		321,113	–	485	39,521	595,191	–	–	(494,226)	462,084
Placement of new shares	28(b)	27,480	–	–	–	–	–	–	–	27,480
Equity-settled share option arrangements		–	–	–	–	–	–	256	–	256
Share options exercised	28(c)	784	–	–	–	–	–	(256)	–	528
Share issue expenses		(803)	–	–	–	–	–		(2,400)	(3,203)
Loss for the year		–	–	–	–	–	–	–	(125,846)	(125,846)
At 31 March 2006 and 1 April 2006		348,574	–	485	39,521	595,191	–	–	(622,472)	361,299
Issuance of the convertible notes	*26*	–	7,780	–	–	–	–	–	–	7,780
Redemption of the convertible notes	*26*	–	(3,501)	–	–	–	–	–	1,025	(2,476)
Conversion of the convertible notes	*26, 28(i)*	32,287	(4,279)	–	–	–	–	–	–	28,008
Capital reorganisation	*28(f)*	(327,552)	–	–	–	–	–	–	460,758	133,206
Equity-settled share option arrangement		–	–	–	–	–	–	5,312	–	5,312
Exercise of share options	*28(j)*	16,739	–	–	–	–	–	(5,312)	–	11,427
Capital contribution from the then shareholder upon acquisition of subsidiaries		–	–	–	–	–	15,000	–	–	15,000
Placement of new shares	*28(h)*	9,900	–	–	–	–	–	–	–	9,900
Issue of consideration shares	*28(g)*	33,000	–	–	–	–	–	–	–	33,000
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

30. RESERVES *(Continued)*

(b) Company *(Continued)*

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 Cinergy Group, which is principally engaged in general and life insurance brokerage business. Further details of the transaction is included in note 28(g) to the financial statements.

	2007 **HK$'000**	2006 HK$'000
Net assets acquired:		
Property, plant and equipment *(note 14)*	**322**	–
Investment property *(note 15)*	**9,033**	–
Available-for-sale equity 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	–

31. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT *(Continued)*

(a) Acquisition of subsidiaries *(Continued)*

	2007 **HK$'000**	2006 HK$'000
Satisfied by:		
Cash	**10,935**	–
Issue of shares *(note 28(g))*	**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:

	2007 **HK$'000**	2006 HK$'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 during the 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 the year.

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

31. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT *(Continued)*

(b) Disposal of subsidiaries during the year ended 31 March 2007

	Notes	Subsidiaries of continuing operations HK$'000	Subsidiaries of discontinued operation HK$'000	Total HK$'000
Net assets disposed of:				
Investment property	*15*	2,200	–	2,200
Available-for-sale equity investments		12,870	–	12,870
Prepayments, deposits and other receivables		127	72,235	72,362
Cash and bank balances		–	2	2
Other payables and accruals		(685)	(39)	(724)
Exchange equalisation reserve		–	(4,034)	(4,034)
		14,512	68,164	82,676
Gain/(loss) on disposal of subsidiaries, net	*12*	(7,564)	59,836	52,272
		6,948	128,000	134,948
Satisfied by cash		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:

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

31. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT *(Continued)*

(c) Major non-cash transactions

(i) As detailed in note 28(e) 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.

(ii) As detailed in note 28(g) to the financial statements, the Group's acquisition for 100% equity interest in the Cinergy 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.

(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 the 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(i) to the financial statements, the issued Convertible Notes in a principal amount of HK$55,000,000 were converted into 226,337,447 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 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 2007, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	Group	
	2007	2006
	HK$'000	HK$'000
Within one year	**1,427**	–
In the second to fifth years, inclusive	**466**	–
	1,893	–

33. OPERATING LEASE ARRANGEMENTS *(Continued)*

(b) As lessee

The Group leases certain of its office properties and a staff quarter under operating lease arrangements. Leases for properties are negotiated for terms of two to three years.

At 31 March 2007, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	Group	
	2007	2006
	HK$'000	HK$'000
Within one year	**442**	319
In the second to fifth years, inclusive	**18**	162
	460	481

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	
	2007	2006
	HK$'000	HK$'000
Contracted but not provided for:		
Investment properties	**6,618**	2,641
Interest in a subsidiary	**–**	3,482
	6,618	6,123

35. CONTINGENT LIABILITIES

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

	Group		Company	
	2007	2006	**2007**	2006
	HK$'000	HK$'000	**HK$'000**	HK$'000
Guarantees given to banks in connection with facilities granted to subsidiaries	**–**	–	**53,171**	–

As at 31 March 2007, 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$43,073,000 (2006: HK$75,000,000).

36. RELATED PARTY TRANSACTIONS

In addition to the transactions detailed elsewhere in these financial statements, the Group had the following transactions with related parties during the year:

(a) During the year, the Group granted a loan of HK$50,000,000 (2006: Nil) to HCGL, which became an associate of the Group on 6 February 2007. The loan was unsecured and bore interest at Prime Rate plus 1%. The carrying amount of the loan approximated to its fair value. The amount of interest charged to HMIL during the year was HK$3,108,000, of which HK$755,000 represented interest income earned after HMIL became an associate of the Group. The outstanding balance of the loan to this associate as at 31 March 2007 was HK$53,108,000 (2006: Nil) *(note 21)*, which was fully settled after the balance sheet date.

(b) During the year, the Group has paid commission for brokerage services of HK$806,000 (2006: Nil) to Chung Nam Securities Limited ("Chung Nam"), which became an associate of the Group on 6 February 2007. The commission charges were based on 0.22% of the transaction value and was settled in the Group's margin account with Chung Nam. As at 31 March 2007, the Group's balance of the margin account was HK$22,714,000 (2006: HK$2,929,600) and was included in prepayments, deposits and other receivables (note 22).

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

	2007	2006
	HK$'000	HK$'000
Short term employee benefits	**2,913**	3,460
Post-employment payments	**(104)**	122
Total compensation paid to key management personnel	**2,809**	3,582

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

37. LITIGATION

On 22 November 2004, Cinergy Holdings Limited ("CHL") and Cinergy Financial Services Limited ("CFSL"), 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"). CHL 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, CFSL 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 CHL which amounted to approximately HK$9.48 million and HK$10.20 million respectively as at 31 March 2007. Such loans are the "Other borrowings – unsecured" in an aggregate amount of HK$19.5 million included in interest-bearing and other borrowings as detailed for note 25 to the financial statements.

A dispute over the Co-operation Agreement between CHL and CFSL with the Insurer has arisen whereby CHL and CFSL claimed, inter alia, the Insurer for the material breach of the terms of the said agreements and the Insurer counterclaimed CHL and CFSL, 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. At the date of approval of these financial statements, the arbitration is still in progress and the directors of the Company are of the opinion that the arbitration shall have no material adverse effect to the business operation and financial position of the Group.

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise bank and other borrowings, convertible note, 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 and liabilities such as loans receivable, other receivables, other payables, available-for-sale equity investments and investments at fair value through profit or loss, which arise directly from its operations.

The main risks arising from the Group's financial instruments are cash flow interest rate risk, credit risk and liquidity risk as further detailed below. The board reviews and agrees policies for managing each of these risks. The Group's accounting policies in relation to derivatives are set out in note 2.4 to the financial statements.

Cash flow interest rate risk

The Group's exposure to interest rate risk relates primarily to its interest-bearing financial assets and liabilities. Interest-bearing financial assets are mainly loans receivable 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 favorable interest rate available.

Credit risk

The Group's major exposure to the credit risk relates to loans receivable, other receivables and bank balances represent arising from default of the counterparty, with a maximum exposure equal to the carrying amount of these financial assets in the consolidated balance sheet. 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.

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

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.

39. POST BALANCE SHEET EVENTS

Subsequent to the balance sheet date, the following significant events of the Group, not disclosed elsewhere in the financial statements, took place:

(a) As at 31 March 2007, the authorised share capital of the Company was HK$1,000,000,000 divided into 10,000,000,000 shares. The Company intends to put forward to the shareholders at the extraordinary general meeting that its authorised share capital be increased to HK$5,000,000,000 divided into 50,000,000,000 shares by the creation of additional 40,000,000,000 shares.

(b) Pursuant to a placing agreement entered into on 20 April 2007, a total of 654,000,000 new ordinary shares of the Company of HK$0.10 each were issued and allotted at HK$0.10 per share.

(c) A rights issue of one rights share for every two existing shares held by members on the register of members on 27 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 approximately HK$187,768,000. Further details of the rights issue are also set out in a prospectus of the Company dated 27 April 2007.

(d) Pursuant to a placing agreement entered into on 21 May 2007, a total of 494,000,000 new ordinary shares of the Company of HK$0.10 each were issued and allotted at HK$0.130 per share.

(e) Pursuant to a placing agreement entered into on 29 June 2007, a total of 1,086,552,000 new ordinary shares of the Company of HK$0.10 each were issued and allotted at HK$0.182 per share.

(f) On 29 June 2007, the Group entered into a conditional sale and purchase agreement to dispose of its entire interest in Equity Spin, a wholly-owned subsidiary of the Group as at 31 March 2007, to a director of HCGL, an independent third party, for a cash consideration of HK$50,000,000. The principal asset of Equity Spin was its 48.96% shareholding interest in HCGL which was an associate of the Group as at 31 March 2007. Accordingly, the directors of the Company considered that the investment in HCGL is worth less than its carrying value of approximately HK$119,099,000 as at 31 March 2007, and as such an impairment loss of approximately HK$69,099,000 (note 19) was recognised.

(g) On 11 July 2007, the Group entered into a placing agreement with a placing agent, an independent third party, to procure subscribers for the Company's new convertible notes up to the principal amount of HK$1,500,000,000 with initial conversion price of HK$0.15 per share.

40. 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.

41. COMPARATIVE AMOUNTS

The comparative income statement has been re-presented as if the operation discontinued during the current year had been discontinued at the beginning of the comparative period (note 12).

42. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 27 July 2007.

Five Year Financial Summary

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

	Year ended 31 March				
	2007	2006	2005	2004	2003
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
RESULTS					
CONTINUING OPERATIONS					
REVENUE	**350,181**	74,405	32,220	23,305	51,493
Profit/(loss) before tax	**(214,960)**	(53,317)	18,465	(17,054)	(43,684)
Tax	**1,927**	(2,383)	(2,504)	–	–
Profit/(loss) for the year from continuing operations	**(213,033)**	(55,700)	15,961	(17,054)	(43,684)
DISCONTINUED OPERATION					
Profit/(loss) for the year from a discontinued operation	**771**	(104,070)	358	–	–
	(212,262)	(159,770)	16,319	(17,054)	(43,684)
Attributable to:					
Equity holders of the Company	**(212,262)**	(159,770)	16,319	(21,370)	(43,684)
Minority interests	–	–	–	4,316	–
	(212,262)	(159,770)	16,319	(17,054)	(43,684)

ASSETS, LIABILITIES AND MINORITY INTERESTS

	As at 31 March				
	2007	2006	2005	2004	2003
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
TOTAL ASSETS	**661,100**	522,573	509,986	469,230	503,438
TOTAL LIABILITIES	**(71,862)**	(20,930)	(3,266)	(2,547)	(5,270)
MINORITY INTERESTS	**–**	–	–	–	(37,736)
	589,238	501,643	506,720	466,683	460,432

Schedule of Principal Properties

Location	Attributable interest of the Group	Tenure	Existing use
Flat A on 15/F and 16/F, together with one carparking space No. 1 on Ground Floor of Formwell Garden 46 & 48 Blue Pool Road Hong Kong	100%	Long term lease	Residential
Office 2806 of 28th Floor, China United Centre 28 Marble Road North Point Hong Kong	100%	Long term lease	Commercial
Office 2803 of 28th Floor, China United Centre 28 Marble Road North Point Hong Kong	100%	Long term lease	Commercial
Shops A, B, C, D and E of Ground Floor, 230 Tung Chau Street Tai Kok Tsui Kowloon	100%	Medium term lease	Commercial
Office 2102 of 21st Floor, China United Centre 28 Marble Road North Point Hong Kong	100%	Long term lease	Commercial
Office 2103 of 21st Floor, China United Centre 28 Marble Road North Point Hong Kong	100%	Long term lease	Commercial

Schedule of Principal Properties

Location	Attributable interest of the Group	Tenure	Existing use
Office 2105 of 21st Floor, China United Centre 28 Marble Road North Point Hong Kong	100%	Long term lease	Commercial
Office 2107 of 21st Floor, China United Centre 28 Marble Road North Point Hong Kong	100%	Long term lease	Commercial
8th Floor, China United Centre 28 Marble Road North Point Hong Kong	100%	Long term lease	Commercial
House No. 3 Splendor Type on Sixth Street of Phase I of Elephant Hill Villa Rui Bian Village Fu Rong Town Huadu City Guangdong Province PRC	100%	Long term lease	Residential
House No. 8 Splendor Type on Fifth Street of Phase I of Elephant Hill Villa Rui Bian Village Fu Rong Town Huadu City Guangdong Province PRC	100%	Long term lease	Residential
House Nos. 1, 12, 13 and 18 Glamour Type of Phase I of Elephant Hill Villa Rui Bian Village Fu Rong Town Huadu City Guangdong Province PRC	100%	Long term lease	Residential