



FREEMAN CORPORATION LIMITED
民豐控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 279)

ANNUAL RESULTS ANNOUNCEMENT
FOR THE YEAR ENDED 31 MARCH 2007

FINAL RESULTS

The Board of Directors of Freeman Corporation Limited (the “Company”) announces the consolidated results of the Company and its subsidiaries (the “Group”) for the year ended 31 March 2007 together with comparative figures for the previous year as follows:

CONSOLIDATED INCOME STATEMENT

For the year ended 31 March 2007

	<i>Notes</i>	2007 HK\$'000	2006 <i>HK\$'000</i>
CONTINUING OPERATIONS			
REVENUE	4	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	4	1,338	7,514
Gains/(losses) arising from changes in fair value of investment properties		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		(7,564)	–
General and administrative expenses		(29,350)	(13,570)
Impairment of goodwill		(44,050)	–
Impairment of loans receivable		(67,479)	(26,247)
Impairment of available-for-sale equity investments		–	(34,130)
Finance costs	6	(7,467)	(1,274)
Share of profit of an associate, net of impairment of an investment in an associate		(41,692)	400

	<i>Notes</i>	2007 HK\$'000	2006 <i>HK\$'000</i>
LOSS BEFORE TAX	5	(214,960)	(53,317)
Tax	7	<u>1,927</u>	<u>(2,383)</u>
LOSS FOR THE YEAR FROM CONTINUING OPERATIONS		(213,033)	(55,700)
DISCONTINUED OPERATION			
Profit/(loss) for the year from a discontinued operation		<u>771</u>	<u>(104,070)</u>
LOSS FOR THE YEAR		<u>(212,262)</u>	<u>(159,770)</u>
LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	8		
Basic			
– For loss for the year		<u>HK(14.52) cents</u>	<u>HK(67.46) cents</u>
– For loss from continuing operations		<u>HK(14.57) cents</u>	<u>HK(23.52) cents</u>
Diluted			
– For loss for the year		<u>N/A</u>	<u>N/A</u>
– For loss from continuing operations		<u>N/A</u>	<u>N/A</u>

CONSOLIDATED BALANCE SHEET

At 31 March 2007

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

	2007 <i>HK\$'000</i>	2006 <i>HK\$'000</i>
NON-CURRENT LIABILITIES		
Interest-bearing bank borrowings	41,145	–
Deferred tax liabilities	<u>456</u>	<u>–</u>
Total non-current liabilities	<u>41,601</u>	<u>–</u>
Net assets	<u>589,238</u>	<u>501,643</u>
EQUITY		
Equity attributable to equity holders of the Company		
Issued capital	247,397	135,411
Reserves	<u>341,841</u>	<u>366,232</u>
Total equity	<u>589,238</u>	<u>501,643</u>

Notes:

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.

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 <i>Financial Reporting in Hyperinflationary Economies</i>

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.

3. 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.

(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.

	Continuing operations												Discontinued operation		Consolidated			
	Trading of securities		Provision of finance		Property holding and investment		Insurance and brokerage business		Investment holding		Eliminations		Total				Trading of goods	
	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment 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)
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

	Continuing operations														Discontinued operation		Consolidated	
	Trading of securities		Provision of finance		Property holding and investment		Insurance and brokerage business		Investment holding		Eliminations		Total		Trading of goods			
	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006		
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000		
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, net	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

4. 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:

	2007 <i>HK\$'000</i>	2006 <i>HK\$'000</i>
<u>Revenue</u>		
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	–
	<u>350,181</u>	<u>74,405</u>
	2007 <i>HK\$'000</i>	2006 <i>HK\$'000</i>
<u>Other income and gains</u>		
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
	<u>1,338</u>	<u>7,514</u>

5. LOSS BEFORE TAX

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

	2007 <i>HK\$'000</i>	2006 <i>HK\$'000</i>
Depreciation	595	365
Recognition of prepaid land premium	5	–
Employee benefits expenses (excluding directors' remuneration):		
Wages, salaries and allowances	5,287	2,254
Equity-settled share option expenses	2,336	256
Pension scheme contributions (defined contribution scheme)*	<u>164</u>	<u>59</u>
	<u>7,787</u>	<u>2,569</u>
Share-based payment paid to an investment advisor for investment advisory services	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*	69,099	–
Direct operating expenses arising on rental-earning investment properties	<u>277</u>	<u>188</u>

* 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).

6. FINANCE COSTS

	2007 <i>HK\$'000</i>	2006 <i>HK\$'000</i>
Interest on:		
Bank loans, overdrafts and other loans wholly repayable within five years	4,829	1,274
Convertible notes	<u>2,638</u>	<u>–</u>
Total finance costs	<u>7,467</u>	<u>1,274</u>

7. 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
Current – Hong Kong		
Charge for the year	–	2,383
Overprovision in prior year	(2,383)	–
Deferred	456	–
	<u> </u>	<u> </u>
Tax charge attributable to continuing operations reported in the consolidated income statement	<u>(1,927)</u>	<u>2,383</u>
Tax charge attributable to a discontinued operation	<u> </u>	<u>40</u>

8. 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.

(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.

QUALIFIED OPINION ARISING FROM LIMITATION OF AUDIT SCOPE

Extract of the auditor's report for the financial year in respect of the qualified opinion arising from limitation of audit scope is shown below:

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 million (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.

FINAL DIVIDEND

The Directors do not recommend the payment of a final dividend for the year ended 31 March 2007 (2006: Nil).

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.

Capital Commitments

As at 31 March 2007, the capital commitments of the Group was approximately HK\$6,618,000 (2006: HK\$6,123,000).

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.

POST BALANCE SHEET EVENTS

Subsequent to the balance sheet date, the following significant events of the Group took place:

- (a) 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.
- (b) 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 was recognised.
- (c) 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.

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.

MODEL CODE OF SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 (the "Model Code") to the Listing Rules as its own code of conduct for dealing in securities of the Company by the Directors. Based on specific enquiry with the Directors, all the Directors confirmed that they have complied with the required standards as set out in the Model Code during the year ended 31 March 2007.

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.

CORPORATE GOVERNANCE

The Company had complied throughout the year with those paragraphs of the Code of Corporate Governance Practices as set out in Appendix 14 of the Listing Rules.

AUDIT COMMITTEE

The Audit Committee of the Company comprises four Independent Non-executive Directors, namely Mr. Chiu Siu Po, Ms. Hui Wai Man, Shirley, Mr. Gary Drew Douglas and Mr. Peter Temple Whitelam. The Audit Committee has reviewed, discussed and approved the Company's audited consolidated financial statements for the year ended 31 March 2007.

PUBLICATION OF ANNUAL RESULT ANNOUNCEMENT ON THE WEBSITE OF THE STOCK EXCHANGE

The annual result announcement will be published on the website of the Stock Exchange at www.hkex.com.hk and the website of the Company at www.freeman279.com in due course. The 2006/2007 Annual Report will be despatched to the shareholders and also be made available on the websites of the Stock Exchange and the Company in due course.

By the order of the Board
Yang Fan Shing, Andrew
Chairman

Hong Kong, 27 July 2007

As at the date of this announcement, the Executive Directors are Dr. Yang Fan Shing, Andrew, Mr. Kwong Wai Tim, William, Ms. Kwok Wai Ming and Ms. Au Shuk Yee, Sue, and the Independent Non-executive Directors are Mr. Chiu Siu Po, Ms. Hui Wai Man, Shirley, Mr. Gary Drew Douglas and Mr. Peter Temple Whitelam.