THIS PROSPECTUS IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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

If you have sold or transferred all your Shares (as defined herein), you should at once hand the Prospectus Documents (as defined herein) to the purchaser or transferee or to the bank, licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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

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

The Stock Exchange (as defined herein) and HKSCC (as defined herein) take no responsibility for the contents of any of the Prospectus Documents, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of any of the Prospectus Documents.

FREEMAN CORPORATION LIMITED
民豐控股有限公司

(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 279)

RIGHTS ISSUE
OF 1,563,986,824 RIGHTS SHARES OF HK$0.10 EACH AT HK$0.12 PER RIGHTS SHARE
ON THE BASIS OF
ONE RIGHTS SHARE FOR EVERY TWO EXISTING SHARES HELD ON THE RECORD DATE

Financial Adviser to Freeman Corporation Limited

結好融資有限公司
GET NICE CAPITAL LIMITED

Underwriter of the Rights Issue

結好投資有限公司
GET NICE INVESTMENT LTD.

The latest time for acceptance of and payment for the Rights Shares (as defined herein) is 4:00 p.m. on Monday 14 May, 2007. The procedure for acceptance and payment and/or transfer of the Rights Shares is set out on page 17 of this Prospectus.

Dealings in the Rights Shares in nil-paid form will take place from Wednesday, 2 May 2007 to Wednesday, 9 May 2007 (both dates inclusive). If the conditions of the Rights Issue (as defined herein) are not fulfilled or the Underwriting Agreement (as defined herein) is terminated, the Rights Issue will not proceed. Any dealing in Shares or nil-paid Rights Shares during the period from Wednesday, 2 May 2007 to Wednesday, 9 May 2007 will accordingly bear the risk that the Rights Issue may not become unconditional or may not proceed.

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

27 April 2007

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

Number of Rights Shares to be issued:	1,563,986,824 Rights Shares
Amount to be raised:	approximately HK$187.68 million before expenses
Subscription price:	HK$0.12 per Rights Share payable in full on acceptance
Latest time for acceptance and payment:	4:00 p.m. on Monday, 14 May 2007
Basis of the Rights Issue:	One Rights Share for every two existing Shares held on the Record Date
Right of excess applications:	Provisional allottees have the right to apply for Rights Shares in excess of their provisional allotments

EXPECTED TIMETABLE

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

	2007
Record Date	Thursday, 26 April
Register of members re-opens	Friday, 27 April
First day of dealings in nil-paid Rights Shares	Wednesday, 2 May
Latest time for splitting of nil-paid Rights Shares	4:00 p.m. on Friday, 4 May
Last day of dealings in nil-paid Rights Shares	Wednesday, 9 May
Latest time for payment for and acceptance of Rights Shares	4:00 p.m. on Monday, 14 May
Rights Issue becomes unconditional	after 4:00 p.m. on Wednesday, 16 May
Announcement of results of acceptance and excess applications of the Rights Issue	Friday, 18 May
Despatch of refund cheques for wholly and partially unsuccessful excess applications	Monday, 21 May
Despatch of certificates for fully-paid Rights Shares	Monday, 21 May
First day of dealings in fully-paid Rights Shares	Wednesday, 23 May

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

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

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

2. a "black" rainstorm warning

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

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

CONTENTS

In the Prospectus, the following expressions have the following meanings unless the context requires otherwise:

"Announcement"	the announcement of the Company dated 23 March 2007 regarding, among others, the Rights Issue
"associate(s)"	the meaning ascribed thereto in the Listing Rules
"Board"	the board of Directors
"Business Day"	any day (other than a Saturday or Sunday) on which banks in Hong Kong generally are open for business
"CCASS"	the Central Clearing and Settlement System established and operated by HKSCC
"Company"	Freeman Corporation Limited, a company incorporated in the Cayman Islands with limited liability and whose shares are listed on the main board of the Stock Exchange (stock code: 279)
"Director(s)"	the director(s) of the Company
"EAF(s)"	the excess application form(s) issued in connection with the Rights Issue
"Excluded Shareholder(s)"	Overseas Shareholder(s) in respect of whom the Directors, based on legal opinions, consider it necessary or expedient not to offer the Rights Issue to such Overseas Shareholder(s) on account either of restrictions under the laws of the relevant place or the requirements of a relevant regulatory body or stock exchange in that place
"Group"	the Company and its subsidiaries
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"HK$"	Hong Kong dollar(s), the lawful currency of Hong Kong
"HKSCC"	Hong Kong Securities Clearing Company Limited

"Last Trading Day"	20 March 2007, being the last trading day before the suspension of trading in the Shares prior to the release of the Announcement
"Latest Acceptance Time"	4:00 p.m. on 14 May 2007 or such later time as may be agreed between the Company and the Underwriter, is the latest time for acceptance of the offer of Rights Shares and if there is a "black" rainstorm warning or a tropical cyclone warning signal number 8 or above in force in Hong Kong on such day at any time between 12:00 noon and 4:00 p.m., the Latest Acceptance Time will be postponed to the next Business Day which does not have any of those warnings in force in Hong Kong at any time between 12:00 noon and 4:00 p.m.
"Latest Practicable Date"	24 April 2007, being the latest practicable date prior to the printing of the Prospectus for ascertaining certain information contained in the Prospectus
"Latest Time for Termination"	4:00 p.m. on the second Business Day after the Latest Acceptance Time
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Option(s)"	the share option(s) granted by the Company to subscribe for an aggregate of 1,500,000 Shares outstanding as at the date of the Announcement pursuant to the Share Option Scheme, which were surrendered and cancelled on 16 April 2007
"Overseas Shareholder(s)"	Shareholder(s) whose name(s) appear on the register of members of the Company at the close of business on the Record Date and whose address(es) as shown on such register is/are in a place(s) outside Hong Kong
"PAL(s)"	the provisional allotment letter(s) issued in connection with the Rights Issue
"Placing"	the placing of 654,000,000 new Shares pursuant to the terms of the placing agreement entered into between the Company and Kingston Securities Limited (the placing agent) on a best effort basis dated 16 February 2007, which was completed on 19 April 2007

"Possible Acquisition"	the possible acquisition of companies engaging in the insurance business referred to in the Announcement
"PRC"	the People's Republic of China, which for the purpose of this prospectus, exclude Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
"Prospectus"	this prospectus
"Prospectus Documents"	the Prospectus, the PAL and the EAF
"Qualifying Shareholder(s)"	Shareholder(s), other than the Excluded Shareholders, whose name(s) appear on the register of members of the Company at the close of business on the Record Date
"Record Date"	26 April 2007
"Registrar"	Secretaries Limited, the branch registrar of the Company in Hong Kong whose address is at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong
"Relevant Shareholders"	certain beneficial owners of Shares whose names are set out in column 1 of the table in the section headed "Shareholdings in the Company" of this prospectus
"Rights Issue"	the issue by way of rights of one Rights Share for every two existing Shares held on the Record Date at a price of HK$0.12 per Rights Share
"Rights Share(s)"	1,563,986,824 new Share(s) to be issued and allotted under the Rights Issue
"SFO"	The Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"Share(s)"	ordinary share(s) of HK$0.10 each in the share capital of the Company
"Share Option Scheme"	the share option scheme of the Company adopted on 23 August 2002
"Shareholder(s)"	holder(s) of Share(s)

"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Subscription Price"	the subscription price of HK$0.12 per Rights Share
"Underwriter"	Get Nice Investment Limited, a corporation deemed licensed to carry out business in type 1 (dealing in securities), type 4 (advising on securities), type 6 (advising on corporate finance) and type 9 (asset management) regulated activities under the SFO, which is not a connected person (as defined in the Listing Rules) of the Company
"Underwriting Agreement"	the underwriting agreement dated 23 March 2007 entered into between the Company and the Underwriter in relation to the underwriting and certain other arrangements in respect of the Rights Issue
"%"	per cent

FREEMAN CORPORATION LIMITED
民豐控股有限公司

(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 279)

Executive Directors:
Mr. 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

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

Head office and principal place of business in Hong Kong:
31st Floor, China United Centre
28 Marble Road
North Point
Hong Kong

27 April 2007

To the Qualifying Shareholders and, for information only, the Excluded Shareholders

Dear Sirs,

**RIGHTS ISSUE
OF 1,563,986,824 RIGHTS SHARES
OF HK$0.10 EACH AT HK$0.12 PER RIGHTS SHARE
ON THE BASIS OF
ONE RIGHTS SHARE
FOR EVERY TWO EXISTING SHARES HELD ON THE RECORD DATE**

INTRODUCTION

On 23 March 2007, the Board announced that subject to the fulfilment of the conditions of the Rights Issue, the Company proposed to raise not less than approximately HK$148.43 million before expenses (assuming none of the Options is exercised and the Placing is not completed on or before the Record Date) and not more than approximately HK$187.76 million before expenses (assuming all of the Options are exercised and the Placing is completed on or before the Record Date) by way of the Rights Issue of not less than 1,236,986,824 Rights Shares and not more than 1,564,736,824 Rights Shares at a price of HK$0.12 per Rights Share on the basis of one Rights Share for every two existing Shares held on the Record Date, payable in full on acceptance or application.

As at the date of the Announcement, the Company had Options to subscribe for 1,500,000 Shares outstanding and the Placing was not completed. On 16 April 2007, all the outstanding Options were surrendered and cancelled. On 19 April 2007, the Placing was completed pursuant to which 654,000,000 Shares had been issued to the respective placees. Accordingly, the total number of Shares in issue as at the Record Date was 3,127,973,649 Shares and the number of Rights Shares to be issued pursuant to the Rights Issue is 1,563,986,824.

The convertible notes amounting to HK$100 million issued by the Company pursuant to the placing agreement dated 20 November 2006 as announced by the Company on 22 November 2006 have been (i) redeemed by the Company amounting to HK$45 million; and (ii) converted into the Shares by conversion of HK$55 million by certain holders of the convertible notes. Hence, the Company has no outstanding convertible notes as at the Latest Practicable Date.

Accordingly, there were no outstanding options, warrants or securities convertible or exchangeable into Shares as at the Latest Practicable Date.

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

TERMS OF THE RIGHTS ISSUE

Issue Statistics

Basis of Rights Issue	:	One Rights Share for every two existing Shares held by the Qualifying Shareholders on the Record Date
Number of Shares in issue	:	3,127,973,649 Shares as at the Record Date
Number of Rights Shares	:	1,563,986,824 Rights Shares
Subscription Price per Rights Share	:	HK$0.12 per Rights Share with nominal value of HK$0.10 each

The nil-paid Rights Shares provisionally allotted pursuant to the terms of the Rights Issue represent 50% of the Company's issued share capital as at the Latest Practicable Date and approximately 33.3% of the Company's enlarged issue share capital of the Company immediately following the completion of the Rights Issue.

Qualifying Shareholders

To qualify for the Rights Issue, a Shareholder must:

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

2. be a Qualifying Shareholder.

In order to be registered as members of the Company at the close of business on the Record Date, owners of Shares must have lodged any transfers of Shares (together with the relevant share certificates) with the Registrar for registration by 4:00 p.m. on 19 April 2007.

Closure of register of members

The register of members of the Company was closed from Friday, 20 April 2007 to Thursday, 26 April 2007 (both dates inclusive) to determine the eligibility of Shareholders to the Rights Issue. No transfer of Shares was registered during this period.

Subscription price

The Subscription Price for the Rights Shares is HK$0.12 per Rights Share, payable in full when a Qualifying Shareholder accepts his/her/its provisional allotment under the Rights Issue or applies for excess Rights Shares or when a transferee of nil-paid Rights Shares subscribes for the Rights Shares. The Subscription Price represents:

1. a discount of approximately 45.70% to the closing price of HK$0.221 per Share as quoted on the Stock Exchange on the Last Trading Day;

2. a discount of approximately 23.57% to the average closing price of HK$0.157 per Share for the five consecutive trading days up to and including the Last Trading Day;

3. a discount of approximately 14.89% to the average closing price of HK$0.141 per Share for the ten consecutive trading days up to and including the Last Trading Day;

4. a discount of approximately 35.83% to the theoretical ex-rights price of HK$0.187 per Share based on the closing price as quoted on the Stock Exchange on the Last Trading Day; and

5. a discount of approximately 21.05% to the closing price of HK$0.152 per Share as quoted on the Stock Exchange on the Latest Practicable Date;

The Subscription Price was arrived at after arm's length negotiation between the Company and the Underwriter with reference to the then market environment and the prevailing Share prices, which the Directors consider important for the Shareholders to assess before subscribing for the Rights Shares. In order to enhance the attractiveness of a rights issue, it is a common practice for listed issuers to issue rights shares at a discount to the market price (as evidenced in a majority of rights issues conducted in the past six months). Given the fact that the underwriting period of a rights issue is relatively long and after considering the aforesaid factors and the theoretical ex-rights price per Share (which takes into account the allotment ratio of the Rights Issue), the Directors consider that the proposed discount on the Subscription Price to the current market price of the Shares is appropriate. Each Qualifying Shareholder is entitled to subscribe for the Rights Shares at the same price in proportion to his/her/its shareholding in the Company held on the Record Date. The Directors consider the Subscription Price to be fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Basis of provisional allotments

The basis of provisional allotment was one Rights Share for every two existing Shares held by the Qualifying Shareholders at the close of business on the Record Date. Application for all or any part of a Qualifying Shareholder's provisional allotment can be made only by completing the PAL and lodging the same with a remittance for the Rights Shares being applied for.

Share certificates and refund cheques for Rights Issue

Subject to the fulfilment of the conditions of the Rights Issue, share certificates for all fully-paid Rights Shares are expected to be posted on or before 21 May 2007 to those Qualifying Shareholders who have accepted and (where applicable) applied for, and paid for the Rights Shares by ordinary post at their own risk. Refund cheques in respect of wholly or partially unsuccessful applications for excess Rights Shares (if any) are expected to be posted on or before 21 May 2007 by ordinary post to the applicants at their own risk.

Status of the Rights Shares

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

Rights of Overseas Shareholders

The Prospectus Documents will not be registered under the applicable securities legislation of any jurisdiction other than Hong Kong. Based on the register of members of the Company, there were eleven Overseas Shareholders with registered addresses in seven jurisdictions outside Hong Kong as at the

Record Date. Pursuant to Rule 13.36(2)(a) of the Listing Rules, the Board has made enquiries with its legal advisers in these seven jurisdictions as to whether there is any legal restriction under the applicable securities legislation of the relevant jurisdiction or requirement of any relevant regulatory body or stock exchange with respect to the offer of Rights Shares to such Overseas Shareholders.

The Company has been advised by its legal advisers on the laws of Australia, Canada and Malaysia that either (i) the Prospectus Documents will be required to be registered or filed with or subject to approval by the relevant regulatory authorities in the relevant jurisdictions (as the case may be); or (ii) the Company would need to take additional steps to comply with the regulatory requirements of the relevant regulatory authorities in the relevant jurisdictions. Therefore, the Company would be required to comply with the relevant laws and regulations if the Rights Issue is to be offered to the Overseas Shareholders with registered addresses in these three jurisdictions. Having considered the circumstances, the Directors are of the view that it is not expedient to extend the Rights Issue to such Overseas Shareholders taking into consideration that the time and costs involved in complying with the legal requirements of these jurisdictions will outweigh the possible benefits to the relevant Overseas Shareholders and the Company. Thus, the Rights Issue would not be extended to the Overseas Shareholders in Australia, Canada and Malaysia. The Company would send this prospectus, for information only, to such Overseas Shareholders with registered addresses in Australia, Canada and Malaysia but will not send the PAL and EAF to them.

The Company has also been advised by its legal advisers on the laws of Macau, PRC, Spain and United Kingdom that either (i) there is no legal restriction under the applicable legislation of the relevant jurisdictions or requirement of any relevant regulatory body or stock exchange with respect to the offer of the Rights Issue to the Overseas Shareholders in the relevant jurisdictions; or (ii) the Company would be exempt from obtaining approval from, and/or registration of the Prospectus Documents with, the relevant regulatory authorities under the applicable laws and regulations of the relevant jurisdictions since the Company would meet the relevant requirements for exemption under the relevant jurisdictions. Based on the advice of the Company's legal advisers on the laws of Macau, PRC, Spain and United Kingdom, the Directors believe that the Prospectus Documents would not be required to be registered under the relevant laws and regulations of these four jurisdictions and may be despatched to the Overseas Shareholders with registered addresses in these four jurisdictions without any restrictions. In view of this, the Directors have decided to extend the Rights Issue to the Overseas Shareholders with registered addresses in Macau, PRC, Spain and United Kingdom and such Overseas Shareholders, together with the Shareholders with registered addresses in Hong Kong, are Qualifying Shareholders. The Company will send the Prospectus Documents to such Qualifying Shareholders.

The Company will make arrangements for the Rights Shares, which would otherwise have been provisionally allotted to any Excluded Shareholders there may be, to be sold in the market in their nil-paid form as soon as practicable after dealing in the nil-paid Rights Share commences, if a premium (net of expenses) can be obtained. The proceeds of each sale, less expenses, of HK$100 or more will be paid to the Excluded Shareholders in Hong Kong dollars pro rata to their respective shareholding as soon as possible. The Company will retain individual amounts of less than HK$100 for its own benefits. Any unsold entitlement of the Excluded Shareholders will be made available for excess application on EAFs by the Qualifying Shareholders.

Fractions of Rights Shares

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

Application for excess Rights Shares

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

Applications for excess Rights Shares can be made only by completing an EAF and lodging the same with a separate remittance for the excess Rights Shares being applied for. The Directors will allocate the excess Rights Shares at their discretion on a fair and equitable basis.

The latest time for acceptance of and payment for the Rights Shares and application for excess Rights Shares is at 4:00 p.m. on 14 May 2007, or such later time or date as may be agreed between the Company and the Underwriter.

Application for listing

The Company has applied to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Rights Shares in both their nil-paid and fully-paid forms.

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

Dealings in the Rights Shares in both their nil-paid and fully-paid forms, both in board lots of 4,000, registered in the branch register of members of the Company in Hong Kong will be subject to the payment of stamp duty in Hong Kong.

CONDITIONS OF THE RIGHTS ISSUE

The Rights Issue is conditional upon, among other things, each of the following events being fulfilled:

(i) the Listing Committee of the Stock Exchange granting or agreeing to grant (subject to allotment) and not having withdrawn or revoked the listing of, and permission to deal in, the Rights Shares in their nil-paid and fully-paid forms on or before the date on which the Prospectus is despatched and not having withdrawn or revoked such listings and permission on or before the Latest Time for Termination;

(ii) the delivery by or on behalf of the Company not later than the date on which the Prospectus is despatched of one copy of each of the Prospectus Documents together with any requisite accompanying documents to the Stock Exchange and the Registrar of Companies in Hong Kong for filing and registration;

(iii) the posting of the Prospectus Documents to the Qualifying Shareholders;

(iv) compliance with and performance of all the undertakings and obligations of the Company under the terms of the Underwriting Agreement; and

(v) the obligations of the Underwriter under the Underwriting Agreement not being terminated in accordance within its terms.

In the event that the conditions of the Rights Issue are not fulfilled (or, in respect of conditions (iv) and (v), waived by the Underwriter) on or before the dates specified therein (or such later date or time as the Company and the Underwriter may agree in writing), the Underwriting Agreement shall terminate and save in respect of costs and expenses as referred to therein. The Rights Issue will not proceed if the Underwriting Agreement is terminated.

As at the Latest Practicable Date, none of the above conditions have been fulfilled or waived.

UNDERWRITING AGREEMENT

Pursuant to the Underwriting Agreement dated 23 March 2007, the Underwriter has agreed to fully underwrite not less than 1,052,500,824 Rights Shares and not more than 1,380,250,824 Rights Shares (being not less than 1,236,986,824 Rights Shares and not more than 1,564,736,824 Rights Shares less the 184,486,000 Rights Shares to be issued to and accepted by the Relevant Shareholders). The Underwriter is wholly-owned by Get Nice Incorporated, which in turn is wholly-owned by Get Nice Holdings Limited (stock code: 64), a listed company on the main board of the Stock Exchange. The Underwriter and its ultimate controlling shareholder do not have any shareholdings in the Company and are independent third parties not connected with the Company, the Directors, chief executive or substantial shareholders of the Company or any of its subsidiaries, or their respective associates.

Commission

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

Undertaking from the Relevant Shareholders

As at the Latest Practicable Date, the Relevant Shareholders were interested in an aggregate of 368,972,000 Shares, representing approximately 11.80% of the total issued share capital of the Company.

The Relevant Shareholders have irrevocably undertaken to the Underwriter and the Company, *inter alia*, that they will not dispose of Shares beneficially held by them from the date of the undertaking till the Record Date or any interests therein; and they will accept or procure the acceptance of the Rights Shares provisionally allotted to them in respect of the Shares beneficially owned by them.

Termination of the Underwriting Agreement

The Underwriter may terminate the arrangements set out in the Underwriting Agreement by notice in writing issued to the Company at any time prior to the Latest Time for Termination if there occurs:–

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

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

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

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

If, at or prior to the Latest Time for Termination:

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

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

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

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

If the Underwriting Agreement is terminated by the Underwriter before the Latest Time for Termination or does not become unconditional, the Underwriting Agreement will terminate forthwith and neither the Company nor the Underwriter shall have any claim against the other party save for fees and expenses as referred to in the Underwriting Agreement and the Rights Issue will not proceed.

WARNING OF THE RISKS OF DEALINGS IN THE SHARES AND RIGHTS SHARES

The Shares have been dealt in on an ex-rights basis from 18 April 2007. Dealings in the Rights Shares in the nil-paid form will take place from 2 May 2007 to 9 May 2007 (both dates inclusive). If the conditions of the Rights Issue are not fulfilled or waived or the Underwriting Agreement is terminated, the Rights Issue will not proceed.

Any Shareholders or other persons dealing in Shares up to the date on which all the conditions to which the Rights Issue is subject are fulfilled or waived (and the date on which the Underwriter's right of termination of the Underwriting Agreement ceases) and any persons dealing in the nil-paid Rights Shares during the period from 2 May 2007 to 9 May 2007 (both dates inclusive) will bear the risk that the Rights Issue may not become unconditional or may not proceed. If in any doubt, investors are recommended to consult their professional advisers.

SHAREHOLDINGS IN THE COMPANY

Set out below is the shareholding structure of the Company as at the date of the Announcement, as at the Latest Practicable Date and immediately after completion of the Rights Issue, assuming that (i) there is no change in the shareholding structure of the Company from the Latest Practicable Date to immediately before completion of the Rights Issue; (ii) the Relevant Shareholders accept 184,486,000 Rights Shares provisionally allotted to them; and (iii) no Qualifying Shareholders (other than the Relevant Shareholders) take up the Rights Shares and the Underwriter takes up the 1,379,500,824 Rights Shares in full:

Beneficial owners of Shares	**As at the date of the Announcement**		**As at the Latest Practicable Date**		**Immediately after completion of the Rights Issue**	
	Shares	*%*	*Shares*	*%*	*Shares*	*%*
Directors and their associates *(Note 1)*	37,000,000	1.50	37,000,000	1.18	55,500,000	1.18
Parkson Group Limited *(Note 2)*	200,000,000	8.08	200,000,000	6.40	300,000,000	6.40
Radford Capital Investment Limited *(Note 3)*	131,972,000	5.33	131,972,000	4.22	197,958,000	4.22
Relevant Shareholders	368,972,000	14.91	368,972,000	11.80	553,458,000	11.80
The Underwriter	–	–	–	–	1,379,500,824	29.40
Public *(Note 4)*	2,105,001,649	85.09	2,759,001,649	88.20	2,759,001,649	58.80
Total	**2,473,973,649**	**100.00**	**3,127,973,649**	**100.00**	**4,691,960,473**	**100.00**

Notes:

1. Mr. Yang Fan Shing, Andrew, being a Director, and his wife have personal interests in 20,000,000 Shares and 2,000,000 Shares respectively; Ms. Kwok Wai Ming, being another Director, has a personal interest in 15,000,00 Shares.

2. Mr. Yang Fan Shing, Andrew, being a Director, beneficially owns the entire issued share capital of Parkson Group Limited.

3. The shares of Radford Capital Investment Limited (stock code: 901) are listed on the main board of the Stock Exchange.

4. The number of issued Shares held by the public has increased from 2,105,001,649 as the date of the Announcement to 2,759,001,649 as at the Latest Practicable Date pursuant to the completion of the Placing on 19 April 2007 under which 654,000,0000 Shares were issued to respective placees.

REASONS FOR THE RIGHTS ISSUE AND USE OF PROCEEDS

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

As stated in the Announcement, the Company had preliminary negotiations with independent third parties who were not connected person of the Company ("connected person" as defined in the Listing Rules), relating to the Possible Acquisition of companies engaging in the insurance business, which might or might not become a notifiable transaction. During the period from the date of the Announcement to the Latest Practicable Date, such preliminary negotiations were still carried on. As at the Latest Practicable Date, the Company has not reached any agreement or possible terms and conditions in relation to the Possible Acquisition.

The Directors consider appropriate for the Company to capture the fund raising opportunity through the Rights Issue on a fully underwritten basis and on a basis which will allow all Qualifying Shareholders to participate in the Rights Issue in proportion to their shareholdings. The Company intends to use the net proceeds for the Rights Issue, being estimated at approximately HK$182.0 million, for the Possible Acquisition and the development of insurance and financial services business. The net proceeds from the Rights Issue will be used to strengthen the Company's existing investments in financial service industry which include the trading of securities, provision of finance, insurance business and investment holding.

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

PREVIOUS FUND RAISING EXERCISES OF THE COMPANY

Date of announcement	Event	Net proceeds raised *(approximately)*	Proposed use of the net proceeds	Actual use of the net proceeds
20 October 2006	placing of 66,000,000 new Shares under the placing agreement dated 18 October 2006	HK$16.17 million	To be used for general working capital	HK$3.38 million as deposit to acquire a property and HK$12.79 million as general working capital
22 November 2006	placing of convertible notes with a principal amount of up to HK$300 million *(Note)*	HK$52.2 million *(Note)*	To be used for strengthening and developing financial services arm of the Group which include the establishing of the new life insurance business of the Group	HK$52.2 million as general working capital
21 February 2007	placing of 346,000,000 new Shares on a fully underwritten basis	HK$33.8 million	To be used for general working capital and/or possible investment in future including, subject to the regulatory requirements and approvals, the set up of a life insurance company authorized to conduct long term business in Hong Kong	HK$33.8 million as general working capital
21 February 2007	Placing of 654,000,000 new Shares on a best effort basis	HK$64.3 million	To be used for general working capital and/or possible investment in future including, subject to the regulatory requirements and approvals, the set up of a life insurance company authorized to conduct long term business in Hong Kong	Pending as the transaction was just completed on 19 April 2007

Note:

Pursuant to a conditional convertible notes placing agreement dated 20 November 2006 entered into between the Company and a placing agent in relation to the placing of convertible notes with principal amount of HK$300 million, convertible notes of HK$100 million have been placed on a fully underwritten basis. Convertible notes of up to HK$200 million to be placed on a best effort was not proceeded as a result of the termination of this placing agreement on 16 February 2007 as announced by the Company on 21 February 2007. The convertible notes amounting to HK$100 million have been (i) redeemed by the Company amounting to HK$45 million; and (ii) converted into the Shares by conversion of HK$55 million by certain holders of the convertible notes.

Save as disclosed above, the Company has not carried out any fund raising activities within the past 12 months prior to the Latest Practicable Date.

PROCEDURE FOR ACCEPTANCE OR TRANSFER

A PAL is enclosed with this Prospectus which entitles the Qualifying Shareholders to subscribe for the number of Rights Shares indicated on the PAL. If the Qualifying Shareholders wish to exercise the right to subscribe for all the Rights Shares specified in the enclosed PAL, the Qualifying Shareholders must lodge the PAL in accordance with the instructions printed thereon, together with a remittance for the full amount payable on acceptance of the number of Rights Shares provisionally allotted to the Qualifying Shareholders, with the Registrar at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong by not later than 4:00 p.m. on Monday, 14 May 2007. All remittances must be made in Hong Kong dollars and cheques or cashier's orders must be drawn on a bank account in Hong Kong and made payable to "Freeman Corporation Limited – Provisional Allotment Account" and crossed "Account Payee Only".

It should be noted that unless the PAL, together with the appropriate remittance, has been lodged with the Registrar by 4:00 p.m. on Monday, 14 May 2007, whether by the original allottee or any person in whose favour the rights have been transferred, that provisional allotment and all rights thereunder will be deemed to have been declined and will be cancelled.

If the Qualifying Shareholders wish to accept only part of their provisional allotment or to transfer all or part of their rights to subscribe for the Rights Shares provisionally allotted under the PAL to more than one person, the entire PAL must be surrendered by not later than 4:00 p.m. on Friday, 4 May 2007 to the Registrar who will cancel the original PAL and issue a new PAL in the denominations required. The PALs contain full information regarding the procedures to be followed if the Qualifying Shareholders wish to accept only part of the provisional allotment or if the Qualifying Shareholders wish to transfer all or part of their provisional allotment.

All cheques and cashier's orders will be presented for payment following receipt and any interest earned on such monies will be retained for the benefit of the Company. Any PAL in respect of which a cheque or cashier's order is dishonoured on first presentation is liable to be rejected and in that event the provisional allotment of Rights Shares and all rights thereunder will be deemed to have been declined and will be cancelled. If the Underwriter exercises the right to terminate the obligations of the Underwriter under the Underwriting Agreement before 4:00 p.m. on Wednesday, 16 May 2007, being the second Business Day after the Latest Acceptance Time, the monies received in respect of the relevant provisional allotment of Rights Shares will be returned to the relevant persons without interest, by means of cheques to be despatched by the ordinary post at the risk of the relevant applicants on or before Monday, 21 May 2007.

APPLICATIONS FOR EXCESS RIGHTS SHARES

Qualifying Shareholders may apply for any unsold entitlements of the Excluded Shareholders and any Rights Shares provisionally allotted but not accepted.

Application for excess Rights Shares can be made only by completing the EAF and lodging the same with a separate remittance for the excess Rights Shares being applied for. The Directors will allocate the excess Rights Shares on a fair and reasonable basis.

If the Qualifying Shareholders wish to apply for any Rights Shares in addition to their provisional allotment, they must complete and sign the enclosed EAF as indicated thereon and lodge it, together with a separate remittance for the amount payable on application in respect of the excess Rights Shares applied for, with the Registrar at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong by not later than 4:00 p.m. on Monday, 14 May 2007. All remittances must be made in Hong Kong dollars and cheques or cashier's orders must be drawn on a bank account in Hong Kong and made payable to "Freeman Corporation Limited – Excess Application Account" and crossed "Account Payee Only". The Registrar will notify the applicants of any allotment of excess Rights Shares made to them.

If no excess Rights Shares are allotted to the applicant Qualifying Shareholders, the amount tendered on application is expected to be refunded in full on or before Monday, 21 May 2007. If the number of excess Rights Shares allotted to the Qualifying Shareholders is less than that applied for, the surplus application monies are also expected to be refunded to the relevant persons on or before Monday, 21 May 2007. If the Underwriter exercises the right to terminate its obligations under the Underwriting Agreement on or before the Latest Time for Termination, the monies received in respect of relevant applications for excess Rights Shares will be returned to the relevant persons without interest, by means of cheques to be despatched by the ordinary post at the risk of the relevant applicants on or before Monday, 21 May 2007.

All cheques and cashier's orders will be presented for payment following receipt and any interest earned on such monies will be retained for the benefit of the Company. Any EAF in respect of which a cheque or cashier's order is dishonoured on first presentation is liable to be rejected.

The EAF is for use only by the person(s) named in it and is not transferable. All documents, including cheques or cashier's orders for refund, will be sent by ordinary post at the risk of the persons entitled thereto to their registered addresses by no later than Monday, 21 May 2007.

SHARE CERTIFICATES

It is expected that certificates for the fully-paid Rights Shares will be posted to those entitled thereto at their own risk by the Registrar on or before Monday, 21 May 2007.

Where entitlements to Rights Shares exceed one board lot, it is proposed that, the relevant Qualifying Shareholders will receive one share certificate for the allotment of Rights Shares.

BUSINESS REVIEW AND PROSPECTS

Operational review for the six months ended 30 September 2006

For the period under review, the Group was principally engaged in the businesses of securities, financing, trading, property and investment holding. During the period, 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, and a profit of approximately HK$59,836,000 has been recorded thereon. After the disposal, the Group still retains a 45% interest in Mega Victory Limited.

During the period, the Group has further strengthened its business in securities investment and trading. Turnover of trading of securities for the period was HK$78,530,000 (1.4.2005 to 30.9.2005: HK$608,000). The segment had recorded a loss of HK$45,394,000 after taking into account of the changes in fair values of listed securities held for trading.

Turnover of the provision of finance business for the period was amounted to HK$14,136,000 (1.4.2005 to 30.9.2005: HK$14,008,000). The business recorded a loss of HK$104,453,000 in this period (1.4.2005 to 30.9.2005: gain of HK$14,071,000) mainly due to impairments of approximately HK$118,752,000 made on two loans receivable of the Group with carrying amounts, before impairments, at 30 September 2006 of approximately HK$226,197,000 which were granted in early year 2004. During the period, the two borrowers had defaulted in the repayment of the loan interests and recovery actions had been taken by the Group in respect of such loans receivable. After reviewing the status of the said loans receivable by the Directors of the Company, the above-mentioned impairments were made in this period.

In view of the improvement in the local property market, the Group increased its investment in properties in the period. As at 30 September 2006, the amount of the investment properties amounted to HK$36,670,000 compared with the amount of HK$3,000,000 at 31 March 2006.

On the investment business side of our activities, the Group had disposed of all its investment in Xian Yizhiliu Pharmaceutical Co., Ltd. during the period and recorded a loss of HK$3,920,000. The Group had also recorded a decrease in fair value of the listed securities component of the available-for-sale investments of HK$39,830,000 during the period.

Financial review for the six months ended 30 September 2006

At 30 September 2006, net current assets of the Group amounted to HK$270,677,000 (31.3.2006: HK$316,525,000) with bank balances and cash totalled HK$4,230,000 (31.3.2006: HK$30,426,000).

As at 30 September 2006, the Group had other borrowings of approximately HK$50,000,000 (31.3.2006: HK$12,004,000), secured bank loans of HK$20,874,000 (31.3.2006: Nil), bank overdrafts of HK$2,396,000 (31.3.2006: HK$762,000) and margin financing payable of HK$902,000 (31.3.2006: HK$2,929,000). Gearing ratio calculated on the basis of the Group's total borrowings over shareholders' funds was 15.33% (31.3.2006: 3.13%) at the balance sheet date. The other borrowings, secured bank loans, bank overdrafts and margin financing payable of the Group carried floating interest rates calculated by reference to the Hong Kong dollar prime rate and were made in Hong Kong dollar. There is no exposure to fluctuations in exchange rates in relation to the borrowings.

Future prospects

In addition to the existing principal business of the trading of securities, provision of finance, property holding and investment holding, the Group has expanded its financial coverage during the half year ended 30 September 2006 through the acquisition of further interest in a financial services group, Hennabun Management International Limited ("HMIL"). HMIL, 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.

Recently, after 30 September 2006, the Group has further expanded to the insurance service business through its recent acquisition of Cinergy Holdings Limited. By leveraging on the extensive experience of the Company's new Chairman, Mr. Yang Fan Shing, Andrew, in the insurance business, the Group and Mr. Yang will use their respective reasonable endeavours to expand the existing business of Cinergy Holdings Limited and subject to the regulatory requirements and approvals to set up a life insurance company authorized to conduct long term business in Hong Kong. The Group is of the view that the investment in the insurance business will provide a valuable opportunity for the Group to expand its business base and achieve a high potential of growth in its revenue.

GENERAL

All documents, including cheques for amount due, will be sent by post at the risk of the persons entitled thereto to their addresses in the register of members of the Company.

FURTHER INFORMATION

Your attention is drawn to the additional information set out in Appendix I to III to this Prospectus.

Yours faithfully
For and on behalf of
FREEMAN CORPORATION LIMITED
Kwong Wai Tim, William
Managing Director

1. CORPORATE INFORMATION

Registered Office of the Company	P.O. Box 309 George Town Grand Cayman Cayman Islands British West Indies
Head office and principal place of business of the Company in Hong Kong	31st Floor, China United Centre 28 Marble Road North Point Hong Kong
Authorised representatives	Ms. Kwok Wai Ming Mr. Ngai Wai Kin
Company secretary and qualified accountant	Mr. Ngai Wai Kin, *FCCA*
The Hong Kong branch registrar and transfer office of the Company	Secretaries Limited 26th Floor, Tesbury Centre 28 Queen's Road East Wanchai Hong Kong
Legal advisers to the Company	*(As to Hong Kong law)* Richards Butler 20th Floor, Alexandra House 16-20 Chater Road Hong Kong *(As to Cayman Islands law)* Maples and Calder 1504 One International Financial Centre 1 Harbour View Street Hong Kong
Auditors	*Note*
Principal bankers	Bank of Communications The Bank of East Asia, Limited Chong Hing Bank, Limited

Note:

Deloitte Touche Tohmatsu, Certified Public Accountants, has resigned as the auditors of the Company effective from 19 April 2007 and the Company has not appointed new auditors to replace Deloitte Touche Tohmatsu as at the Latest Practicable Date. Further announcement relating to the resignation and appointment of Company's auditors will be made by the Company as soon as practicable.

2. DIRECTORS

Particulars of Directors

Name	Address
Executive Directors	
Mr. Yang Fan Shing, Andrew	31/F., China United Centre 28 Marble Road North Point Hong Kong
Mr. Kwong Wai Tim, William	31/F., China United Centre 28 Marble Road North Point Hong Kong
Ms. Kwok Wai Ming	31/F., China United Centre 28 Marble Road North Point Hong Kong
Ms. Au Shuk Yee, Sue	31/F., China United Centre 28 Marble Road North Point Hong Kong
Independent non-executive Directors	
Mr. Chiu Siu Po	2/F, 15 Wang Chiu Road Kowloon Bay, Kowloon
Ms. Hui Wai Man, Shirley	Unit 2405, 24/F, World Wide House 19 Des Voeux Road Central, Central Hong Kong
Mr. Gary Grew Douglas	2-10-14 Mita Meguro-Ku, Tokyo 153-0062 Japan
Mr. Peter Temple Whitelam	2FN, 8 Tung Shan Terrace Stubbs Road Hong Kong

Executive Directors:

Mr. Yang, Fan Shing, Andrew, aged 65, joined the Company as an executive Director and Chairman of the Company in October 2006. Mr. Yang has spent over 48 years in the insurance industry. He 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 relations of the Group. Mr. Kwong holds a MBA degree from the University of Oregon, U.S.A. and 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. He was an executive director of 139 Holdings Limited from August 1998 to August 2000 and was a director of IFTA Pacific Holdings Limited from July 1999 to March 2000.

Ms. Kwok Wai Ming, aged 43, joined the Company as an executive Director in December 2005. Ms. Kowk is a qualified lawyer and has over 15 years of experience in real estate and corporate laws. She is a legal consultant to China National Real Estate Development Group Corporation.

Ms. Au Shuk Yee, Sue, aged 42, joined the Company as an 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. Ms. Au was the managing director of a telecommunication equipment manufacturing and trading company before joining Unity Investments Holdings Limited ("Unity") as an executive director in September 2002. She held the post of Chief Executive Officer in Unity when she resigned from it in January 2006.

Independent Non-Executive Directors:

Mr. Chiu Siu Po, aged 58, joined the Company as an 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 39, joined the Company as an independent non-executive Director in February 2006. Ms. Hui is a practising accountant in Hong Kong. She has over 18 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 an independent non-executive Director in February 2006. Mr. Douglas holds a Master in Business Administration degree from University of Santa Clara, USA. He is currently an Independent Management Consultant. He has over 20 years professional experience in the IT business in Japan and USA.

Mr. Peter Temple Whitelam, aged 77, joined the Company as an 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. He 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. He has a long time acquaintance with Asia, having visited and worked in eight different countries in the Asia Pacific region.

1. FINANCIAL SUMMARY

The following is a summary of the audited consolidated results and financial positions of the Group for the three financial years ended 31 March 2006 as extracted from the annual reports of the Group for the respective years:

	Results of the Group For the year ended 31 March		
	2006	**2005**	**2004**
	HK$'000	*HK$'000*	*HK$'000*
Turnover	97,760	72,238	23,305
Profit/(loss) before tax	(157,347)	18,823	(17,054)
Tax	(2,423)	(2,504)	–
Profit/(loss) before minority interest	(159,770)	16,319	(17,054)
Minority interests	–	–	4,316
Net profit/(loss) from ordinary activities attributable to Shareholders	(159,770)	16,319	(12,738)
Dividend per Share	–	–	–
Earnings/(loss) per Share (cents)			
Basic	(67.46)	0.44	(0.004)
Diluted	N/A	N/A	N/A

	Assets and Liabilities of the Group As at 31 March		
	2006	**2005**	**2004**
	HK$'000	*HK$'000*	*HK$'000*
Total assets	522,573	509,986	469,230
Total liabilities	(20,930)	(3,266)	(2,547)
Minority interests	–	–	–
	501,643	506,720	466,683

Note:

The amounts have not been restated as the application of Hong Kong Financial Reporting Standards which are effective for financial periods beginning on or after 1 January 2005 issued by the Hong Kong Institute of Certified Public Accountants have no material effects to the financial summary disclosed above.

2. AUDITED FINANCIAL STATEMENTS

The following is the audited consolidated income statements of the Group for the two years ended 31 March 2006, the audited consolidated balance sheets of the Group as at 31 March 2005 and 31 March 2006, the audited consolidated statements of changes in equity of the Group and the audited consolidated cash flows statements of the Group for the two years ended 31 March 2006, together with accompanying notes to the financial statements extracted from the annual report of the Company for the year ended 31 March 2006. The auditors' reports as set out in the annual reports of the Group for the year ended 31 March 2006 and 31 March 2005 were qualified and unqualified respectively.

CONSOLIDATED INCOME STATEMENT

For the year ended 31st March 2006

	Notes	2006 HK$'000	2005 HK$'000
Revenue	8	97,760	72,238
Cost of sales		(80,823)	(41,618)
Gross profit		16,937	30,620
Other income		1,197	244
Investment income (expense)	10	7,185	(63)
Administrative expenses		(15,559)	(12,522)
Impairment loss recognised in respect of loans receivable	22	(26,247)	–
Impairment loss recognised in respect of trade and other receivables	23	(103,156)	–
Impairment loss recognised in respect of available-for-sale investments	21	(34,130)	–
Decrease in fair value of investment properties		(2,700)	–
Gain on disposal of subsidiaries		–	50
Share of result of an associate		400	494
Interest on bank and other borrowings wholly repayable within five years		(1,274)	–
(Loss) profit before tax		(157,347)	18,823
Income tax expense	11	(2,423)	(2,504)
(Loss) profit for the year	12	(159,770)	16,319
(Loss) earnings per share – basic	16	(67.46) HK cents	8.72 HK cents

CONSOLIDATED BALANCE SHEET
At 31st March 2006

	Notes	2006 HK$'000	2005 HK$'000
NON-CURRENT ASSETS			
Investment properties	17	3,000	5,700
Property, plant and equipment	18	1,348	606
Interest in an associate	19	–	494
Amount due from an associate	19	–	3,120
Investments in securities	20	–	42,000
Available-for-sale investments	21	67,870	–
Loans receivable – non-current portion	22	112,900	212,000
		185,118	263,920
CURRENT ASSETS			
Trade and other receivables	23	132,366	28,462
Loans receivable – current portion	22	124,054	213,651
Other investments	20	–	209
Investments held for trading	24	50,309	–
Tax recoverable		300	–
Bank balances and cash	25	30,426	3,744
		337,455	246,066
CURRENT LIABILITIES			
Other payables	26	5,690	1,720
Unsecured short-term loan	27	12,004	–
Tax payable		2,474	1,546
Bank overdrafts		762	–
		20,930	3,266
NET CURRENT ASSETS		316,525	242,800
		501,643	506,720
CAPITAL AND RESERVES			
Share capital	29	135,411	40,211
Reserves		366,232	466,509
		501,643	506,720

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31st March 2006

	Attributable to equity holders of the Company									
	Share capital	Share premium	Capital redemption reserve	Special reserve	Translation reserve	Investment revaluation reserve	Distributable reserve	Share option reserve	Accumulated losses	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
				(note i)			*(note 31(a))*			
At 1st April 2004	34,811	302,795	485	35,131	–	–	595,191	–	(501,730)	466,683
Issue of shares	5,400	19,080	–	–	–	–	–	–	–	24,480
Expenses incurred in connection with the issue of shares	–	(762)	–	–	–	–	–	–	–	(762)
Profit for the year, representing total recognised income for the year	–	–	–	–	–	–	–	–	16,319	16,319
At 31st March 2005	40,211	321,113	485	35,131	–	–	595,191	–	(485,411)	506,720
Exchange differences arising on translation of foreign operations	–	–	–	–	4,034	–	–	–	–	4,034
Gain on changes in fair value of available-for-sale investment	–	–	–	–	–	30,398	–	–	–	30,398
Income recognised directly in equity	–	–	–	–	4,034	30,398	–	–	–	34,432
Loss for the year	–	–	–	–	–	–	–	–	(159,770)	(159,770)
Total recognised income and expense for the year	–	–	–	–	4,034	30,398	–	–	(159,770)	(125,338)
Issue of shares	95,200	28,008	–	–	–	–	–	–	–	123,208
Expenses incurred in connection with the issue of shares	–	(803)	–	–	–	–	–	–	(2,400)	(3,203)
Recognition of equity-settled share-based payment expenses	–	–	–	–	–	–	–	256	–	256
Release of share option reserve on exercise of share options	–	256	–	–	–	–	–	(256)	–	–
At 31st March 2006	135,411	348,574	485	35,131	4,034	30,398	595,191	–	(647,581)	501,643

Note: 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.

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31st March 2006

	2006	2005
	HK$'000	*HK$'000*
OPERATING ACTIVITIES		
(Loss) profit before tax	(157,347)	18,823
Adjustments for:		
Interest income	(26,454)	(32,219)
Decrease in fair value of investment properties	2,700	–
Depreciation for property, plant and equipment	365	186
Gain on changes in fair value of investments held for trading	(7,100)	–
Gain on disposal of subsidiaries	–	(50)
Impairment loss recognised in respect of loans receivable	26,247	–
Impairment loss recognised in respect of trade and other receivables	103,156	–
Impairment loss recognised in respect of available-for-sale investments	34,130	–
Interest on bank and other borrowings	1,274	–
Loss (gain) on disposal of property, plant and equipment	344	(12)
Share-based payment expense	256	–
Share of result of an associate	(400)	(494)
Unrealised loss on other investments	–	63
Operating cash flows before movements in working capital	(22,829)	(13,703)
Increase in trade and other receivables	(203,049)	(26,491)
Decrease (increase) in loans receivable	162,450	(80,336)
Increase in investments held for trading	(43,000)	–
Increase (decrease) in other payables	3,970	(769)
Cash used in operations	(102,458)	(121,299)
Interest paid	(1,274)	–
Interest received	26,454	32,219
Hong Kong Profits Tax paid	(1,795)	(958)
NET CASH USED IN OPERATING ACTIVITIES	(79,073)	(90,038)
INVESTING ACTIVITIES		
Purchase of available-for-sale investments	(29,602)	–
Purchase of property, plant and equipment	(1,561)	(479)
Repayment from (advanced to) an associate	3,120	(3,120)
Dividend received for an associate	880	–
Proceeds from disposal of property, plant and equipment	110	111
Proceeds from disposal of an associate	14	–
Settlement of proceeds from disposal of subsidiaries in prior year	–	43,000
Refund of deposit made on acquisition of a subsidiary	–	2,342
Proceeds from disposal of subsidiaries (net of cash and cash equivalents disposed of)	–	50
NET CASH (USED IN) FROM INVESTING ACTIVITIES	(27,039)	41,904

	2006 *HK$'000*	2005 *HK$'000*
FINANCING ACTIVITIES		
Proceeds from issue of shares	123,208	24,480
New short-term loans	63,129	–
Repayment of short-term loans	(51,125)	–
Expenses incurred in connection with the issues of shares	(3,203)	(762)
NET CASH FROM FINANCING ACTIVITIES	132,009	23,718
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	25,897	(24,416)
EFFECT OF FOREIGN EXCHANGE RATE CHANGE	23	–
CASH AND CASH EQUIVALENTS AT 1ST APRIL	3,744	28,160
CASH AND CASH EQUIVALENTS AT 31ST MARCH	29,664	3,744
Represented by:		
Bank balances and cash	30,426	3,744
Bank overdrafts	(762)	–
	29,664	3,744

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March 2006

1. GENERAL

The Company is an exempted company incorporated in the Cayman Islands with limited liability. The shares of the Company are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The addresses of the registered office and principal place of business of the Company are disclosed in the "Corporate Information" section to the annual report.

The Company is an investment holding company and provides corporate management services. The activities of the Company's principal subsidiaries are set out in note 37.

The consolidated financial statements are presented in Hong Kong dollars, which is the same as the functional currency of the Company.

2. APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS/CHANGES IN ACCOUNTING POLICIES

In the current year, the Group has applied, for the first time, a number of new Hong Kong Financial Reporting Standards ("HKFRS(s)"), Hong Kong Accounting Standards ("HKAS(s)") and Interpretations (hereinafter collectively referred to as "new HKFRS(s)") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") that are effective for accounting periods beginning on or after 1st January 2005. The adoption of the new HKFRSs has resulted in changes to the Group's accounting policies in the following areas that have an effect on how the results for the current and prior accounting years are presented:

Share-based payments

In the current year, the Group has applied HKFRS 2 "Share-based Payment" which requires an expense to be recognised where the Group buys goods or obtains services in exchange for shares or rights over shares ("equity-settled transactions"), or in exchange for other assets equivalent in value to a given number of shares or rights over shares ("cash-settled transactions"). The principal impact of HKFRS 2 on the Group is in relation to the expensing of the fair value of share options granted to directors and employees of the Group, determined at the date of grant of the share options, over the vesting period. Prior to the application of HKFRS 2, the Group did not recognise the financial effect of these share options until they were exercised. The Group has applied HKFRS 2 to share options granted on or after 1st April 2005. In relation to share options granted before 1st April 2005, the Group chooses not to apply HKFRS 2 with respect to share options granted after 7th November 2002 and vested before 1st April 2005 (see note 3 for the financial impact).

Financial instruments

In the current year, the Group has applied HKAS 32 "Financial Instruments: Disclosure and Presentation" and HKAS 39 "Financial Instruments: Recognition and Measurement". HKAS 32 requires retrospective application. HKAS 39, which is effective for annual periods beginning on or after 1st January 2005, generally does not permit the recognition, derecognition or measurement of financial assets and liabilities on a retrospective basis. The application of HKAS 32 has had no material impact on how financial statements of the Group are presented for current and prior accounting periods. The principal effects resulting from the implementation of HKAS 39 are summarised below:

Classification and measurement of financial assets and financial liabilities

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

By 31st March 2005, the Group classified and measured its investments in equity securities in accordance with the benchmark treatment of Statement of Standard Accounting Practice 24 "Accounting for Investments in Securities" issued by the HKICPA ("SSAP 24"). Under SSAP 24, the Group's investments in equity securities are classified as "investments in securities" and "other investments". "Investment securities" are carried at cost less impairment losses (if any) while "other investments" are measured at fair value, with unrealised gains or losses included in profit or loss. From 1st April 2005 onwards, the Group has classified and measured its investments in equity securities in accordance with HKAS 39 as "financial assets at fair value through profit or loss" and "available-for-sale financial assets". "Financial assets at fair value through profit or loss" and "available-for-sale financial assets" are carried at fair value, with changes in fair values recognised in profit or loss and equity respectively. Available-for-sale equity investments that do not have quoted market prices in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity instruments are measured at cost less impairment after initial recognition.

On 1st April 2005, the Group classified and measured its investments in equity securities in accordance with the transitional provisions of HKAS 39. As a result, "investments in securities" and "other investments" amounted to HK$42,000,000 and HK$209,000, respectively, have been classified as available-for-sale investments and investments held for trading on 1st April 2005 (see note 3 for the financial impact).

Financial assets and financial liabilities other than debt and equity securities

From 1st April 2005 onwards, the Group has classified and measured its financial assets and financial liabilities other than investments in equity securities (which were previously outside the scope of SSAP 24) in accordance with the requirements of HKAS 39. Financial assets under HKAS 39 are classified as "financial assets at fair value through profit or loss", "available-for-sale financial assets", "loans and receivables" and "held-to-maturity financial assets". Financial liabilities are generally classified as "financial liabilities at fair value through profit or loss" or "other financial liabilities". Financial liabilities at fair value through profit or loss are measured at fair value, with changes in fair value being recognised in profit or loss directly. Other financial liabilities are carried at amortised cost using the effective interest method after initial recognition.

Investment properties

In the current year, the Group has, for the first time, applied HKAS 40 "Investment Property". The Group has elected to use the fair value model to account for its investment properties which requires gains or losses arising from changes in the fair value of investment properties to be recognised directly in profit or loss for the year in which they arise. In previous years, investment properties under the predecessor accounting standard were measured at open market values, with revaluation surplus or deficits credited or charged to investment property revaluation reserve unless the balance on this reserve was insufficient to cover a revaluation decrease, in which case the excess of the revaluation decrease over the balance on the investment property revaluation reserve was charged to the consolidated income statement. Where a decrease had previously been charged to the consolidated income statement and a revaluation surplus subsequently arose, that increase was credited to the consolidated income statement to the extent of the decrease previously charged. The Group has applied the relevant transitional provisions in HKAS 40 and elected to apply HKAS 40 from 1st April 2005 onwards. The application of HKAS 40 has had no impact on current and prior accounting years.

Deferred taxes related to investment properties

In previous years, deferred tax consequences in respect of revalued investment properties were assessed on the basis of the tax consequence that would follow from recovery of the carrying amount of the properties through sale in accordance with the predecessor interpretation. In the current year, the Group has applied HK(SIC) Interpretation 21 "Income Taxes - Recovery of Revalued Non-Depreciable Assets" which removes the presumption that the carrying amount of investment properties is to be recovered through sale. Therefore, the deferred tax consequences of the investment properties are now assessed on the basis that reflect the tax consequences that would follow from the manner in which the Group expects to recover the property at each balance sheet date. In the absence of any specific transitional provisions in HK(SIC) Interpretation 21, this change in accounting policy has been applied retrospectively. The application of the interpretation has had no impact on current and prior accounting years.

3. SUMMARY OF THE EFFECTS OF THE CHANGES IN ACCOUNTING POLICIES

The effects of the changes in the accounting policies described in note 2 on the results for the current and prior years are as follows:

	Effect of adopting	**2006** *HK$'000*	**2005** *HK$'000*
Recognition of share options granted to employees of the Group as expenses (included in administrative expenses)	HKFRS 2	256	–
Increase in loss for the year		256	–

The cumulative effects of the application of the new HKFRSs on 31st March 2005 and 1st April 2005 are summarised below:

	As at 31.3.2005 (Originally stated) *HK$'000*	**HKAS 39 Adjustments** *HK$'000*	**As at 1.4.2005** (Restated) *HK$'000*
Investments in securities	42,000	(42,000)	–
Other investments	209	(209)	–
Available-for-sale investments	–	42,000	42,000
Investments held for trading	–	209	209
	42,209	–	42,209

4. POTENTIAL IMPACT ARISING ON THE NEW ACCOUNTING STANDARD NOT YET EFFECTIVE

The Group has not early applied the following new standards, amendments and interpretations that have been issued by the HKICPA but are not yet effective. The directors of the Company anticipate that the application of these standards, amendments or interpretations will have no material impact on the results and financial positions of the Group.

HKAS 1 (Amendment)	Capital disclosures[1]
HKAS 19 (Amendment)	Actuarial gains and losses, group plans and disclosures[2]
HKAS 21 (Amendment)	Net investment in a foreign operation[2]
HKAS 39 (Amendment)	Cash flow hedge accounting of forecast intragroup transactions[2]
HKAS 39 (Amendment)	The fair value option[2]
HKAS 39 & HKFRS 4 (Amendments)	Financial guarantee contracts[2]
HKFRS 6	Exploration for and evaluation of mineral resources[2]
HKFRS 7	Financial instruments: Disclosures[1]
HK(IFRIC) – INT 4	Determining whether an arrangement contains a lease[2]
HK(IFRIC) – INT 5	Rights to interests arising from decommissioning, restoration and environmental rehabilitation funds[2]
HK(IFRIC) – INT 6	Liabilities arising from participating in a specific market – waste electrical and electronic equipment[3]
HK(IFRIC) – INT 7	Applying the restatement approach under HKAS 29 "Financial Reporting in Hyperinflationary Economies"[4]
HK(IFRIC) – INT 8	Scope of HKFRS 2[5]
HK(IFRIC) – INT 9	Reassessment of Embedded Derivatives[6]

[1] Effective for annual periods beginning on or after 1st January.2007.
[2] Effective for annual periods beginning on or after 1st January.2006.
[3] Effective for annual periods beginning on or after 1st December 2005.
[4] Effective for annual periods beginning on or after 1st March 2006.
[5] Effective for annual periods beginning on or after 1st May 2006.
[6] Effective for annual periods beginning on or after 1st June 2006.

5. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared on the historical cost basis except for certain properties and financial instruments, which are measured at fair values, as explained in the accounting policies set out below.

The consolidated financial statements have been prepared in accordance with HKFRSs. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and by the Hong Kong Companies Ordinance.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries.

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

Where necessary adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members on the Group. All inter-group transactions, balances, income and expenses are eliminated on consolidation.

Investment properties

On initial recognition, investment properties are measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are measured using the fair value model. Gains or losses arising from changes in the fair value of investment property are included in profit or loss for the period in which they arise.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use or no future economic benefits are expected from its disposals. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the consolidated income statement in the year in which the item is derecognised.

Property, plant and equipment

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

Depreciation is provided to write off the cost of items of property, plant and equipment over their estimated useful lives and after taking into account of their estimated residual values, using the straight line method.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the consolidated income statement in the year in which the item is derecognised.

Interests in associates

The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting. Under the equity method, investments in associates are carried in the consolidated balance sheet at cost as adjusted for post-acquisition changes in the Group's share of the profit or loss and changes in equity of the associate, less any identified impairment loss. When the Group's share of losses of an associate equals or exceeds its interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. An additional share of losses is provided for and a liability is recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that associate.

Where a group entity transacts with an associate of the Group, profits and losses are eliminated to the extent of the Group's interest in the relevant associate.

Financial instruments

Financial assets and financial liabilities are recognised on the balance sheet when a group entity becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

The Group's financial assets are mainly classified into available-for-sale investments, loans and receivables and investments held for trading. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace. The accounting policies adopted in respect of each category of financial assets are set out below.

Available-for-sale investments

At each balance sheet date subsequent to initial recognition, available-for-sale financial assets are measured at fair value. Changes in fair value are recognised in equity, until the financial asset is disposed of or is determined to be impaired, at which time, the cumulative gain or loss previously recognised in equity is removed from equity and recognised in profit or loss. Any impairment losses on available-for-sale financial assets are recognised in profit or loss. Impairment losses on available-for-sale equity investments will not reverse in profit or loss in subsequent periods.

For available-for-sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured, they are measured at cost less any identified impairment losses at each balance sheet date subsequent to initial recognition. An impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired. The amount of the impairment loss is measured as the difference between the carrying amount of the asset and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses will not reverse in subsequent periods.

Loans and receivables

Loans and receivables including trade and other receivables and bank balances and cash are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. At each balance sheet date subsequent to initial recognition, they are carried at amortised cost using the effective interest method, less any identified impairment losses. An impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate. Impairment losses are reversed in subsequent periods when an increase in the asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to a restriction that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss has two subcategories, including financial assets held for trading and those designated at fair value through profit or loss on initial recognition. At each balance sheet date subsequent to initial recognition, financial assets at fair value through profit or loss are measured at fair value, with changes in fair value recognised directly in profit or loss in the period in which they arise.

Financial liabilities and equity

Financial liabilities and equity instruments issued by a group entity are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. The accounting policies adopted in respect of the Group's financial liabilities and equity instruments are set out below.

Financial liabilities

Financial liabilities including other payables, bank overdrafts and unsecured short-term loan are subsequently measured at amortised cost, using the effective interest method.

Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Share-based payment transactions

Equity-settled share-based payment transactions

The fair value of services received from employees determined by reference to the fair value of share options granted at the grant date is recognised as an expense in full at the grant date when the share options granted vest immediately, with a corresponding increase in equity (share option reserve).

At the time when the share options are exercised, the amount previously recognised in share option reserve will be transferred to share premium. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share option reserve will be transferred to accumulated losses.

Impairment

At each balance sheet date, the Group reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

Revenue recognition

Revenue represents the fair value of the considerations received and receivable for goods sold by the Group, less returns, to outside customers.

Sales of goods are recognised when goods are delivered and title has passed.

Sales of securities are recognised on a trade date basis.

Interest income from a financial asset is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

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

Leasing

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

Rentals payable under operating leases are charged to profit or loss on a straight line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are recognised as a reduction of rental expense over the lease term on a straight line basis.

Retirement benefit costs

Payments to state-managed retirement benefit scheme and the Mandatory Provident Fund Scheme in Hong Kong are charged as expenses as they fall due.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity ("foreign currencies") are recorded in its functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in profit or loss in the period in which they arise.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into Hong Kong dollars at the rate of exchange prevailing at the balance sheet date, and their income and expenses are translated at the average exchange rates for the year, unless exchange rates fluctuate significantly during the period, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognised as a separate component of equity (the translation reserve). Such exchange differences are recognised in profit or loss in the period in which the foreign operation is disposed of.

Taxation

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

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

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

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

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited to profit or loss, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

6. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the process of applying the Group's accounting policies described in note 5, management makes various estimations based on past experiences, expectations of the future and other information. The key sources of estimation uncertainty that may significantly affect the amounts recognised in the consolidated financial statements are disclosed below:

Impairment of trade and other receivables and loans receivable

Management regularly reviews the recoverability and/or age analysis of trade and other receivables and loans receivable. During the year ended 31st March 2006, impairments of HK$13,860,000 and HK$26,247,000, respectively, on trade receivables and loans receivable were recognised where events or changes in circumstances indicate that the balances may not be collectible and irrecoverable.

The Group has sent reminders and has taken legal actions to recover the overdue debts. However, those debtors either refused to pay or were unable to locate. As a result, impairment were recognised. The impairments are recognised on the difference between the estimated future cash flow expected to receive discounted using the original effective interest rate and its carrying value.

In addition, an impairment of HK$89,296,000 was recognised in respect of the deposits paid as described in note 23.

If the conditions are improved, resulting in the recoverable amounts of these debtors higher than their carrying amounts, the impairment may be excessive.

7. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's major financial instruments include trade and other receivables, loans receivable, available-for-sale investments, investments held for trading, bank balances and cash, other payables and unsecured short-term loan. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. Management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Credit risk

The Group's maximum exposure to credit risk in the event of the counterparties failure to perform their obligations as at 31st March 2006 in relation to each class of recognised financial assets is the carrying amount of those assets as stated in the consolidated balance sheet. The Group's concentration of credit risk is primarily attributable to its trade and other receivables of HK$132,366,000 and loans receivable of HK$236,954,000 which are concentrated on five and twelve companies or individuals respectively. In order to minimise the credit risk, management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debtor and loans debtor at each balance sheet date to ensure that adequate impairment losses are recognised for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

The credit risk on liquid funds is limited because the counterparties are banks with good reputation.

Interest rate risk

The Group has exposure of cash flow interest rate risk through the impact of the rate changes on loans receivable. The Group does not have an interest rate hedging policy. However, management monitors interest rate exposure and will consider hedging significant interest rate exposure should the need arises.

Foreign exchange risk

As substantial transactions entered into by the Group are denominated in Hong Kong dollars, the Group's exposure to foreign exchange risk is insignificant.

Price risk

The Group's available-for-sale investments and investments held for trading amounting to HK$60,000,000 and HK$50,309,000, respectively, are measured at fair value at each balance sheet date. Therefore, the Group is exposed to equity security price risk. Management manages this exposure by maintaining a portfolio of investments with different risk profiles.

8. REVENUE

Revenue represents the net amounts received and receivable from sales of goods, sales of securities, interest income from provision of finance and dividend income during the year, and is analysed as follows:

	2006	**2005**
	HK$'000	*HK$'000*
Sales of goods	23,355	40,018
Sales of securities	48,036	–
Interest income from provision of finance	26,369	32,219
Dividend income from investments held for trading		
– Hong Kong listed shares	–	1
	97,760	72,238

9. BUSINESS AND GEOGRAPHICAL SEGMENT INFORMATION

For management purposes, the Group is currently organised into five (2005: five) main operating segments: trading of goods, provision of finance, trading of securities, property holding and investment and investment activities. These divisions are the basis on which the Group reports its primary segment information.

Segment information about these businesses is presented below:

Business segments

	For the year ended 31st March 2006					
	Trading of goods	**Provision of finance**	**Trading of securities**	**Property holding and investment**	**Investment activities**	**Consolidated**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
REVENUE						
External sales	23,355	26,369	48,036	–	–	97,760
RESULTS						
Segment results	(104,030)	151	(2,647)	(2,903)	(34,250)	(143,679)
Unallocated corporate expenses, net						(12,794)
Interest on bank and other borrowings wholly repayable within five years						(1,274)
Share of result of an associate	–	–	–	–	400	400
Loss before tax						(157,347)
Income tax expense						(2,423)
Loss for the year						(159,770)

	At 31st March 2006					
	Trading of goods	**Provision of finance**	**Trading of securities**	**Property holding and investment**	**Investment activities**	**Consolidated**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
ASSETS						
Segment assets	130,996	236,968	50,310	3,616	67,870	489,760
Unallocated corporate assets						32,813
Consolidated total assets						522,573
LIABILITIES						
Segment liabilities	115	2,414	2,954	509	5	5,997
Unallocated corporate liabilities						14,933
Consolidated total liabilities						20,930
OTHER INFORMATION						
Capital additions	336	–	–	–	1,225	1,561
Decrease in fair value of investment properties	–	–	–	2,700	–	2,700
Depreciation for property, plant and equipment	42	–	–	–	323	365
Impairment loss recognised in respect of loans receivable	–	26,247	–	–	–	26,247
Impairment loss recognised in respect of trade and other receivables	103,156	–	–	–	–	103,156
Impairment loss recognised in respect of available-for-sale investments	–	–	–	–	34,130	34,130
Gain on changes in fair value of investments held for trading	–	–	7,100	–	–	7,100

	For the year ended 31st March 2005					
	Trading of goods	**Provision of finance**	**Trading of securities**	**Property holding and investment**	**Investment activities**	**Consolidated**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
REVENUE						
External sales	40,018	32,219	1	–	–	72,238
RESULTS						
Segment results	358	29,996	(75)	(133)	(274)	29,872
Unallocated corporate expenses						(11,593)
Gain on disposal of subsidiaries	–	–	–	–	50	50
Share of result of an associate	–	–	–	–	494	494
Profit before tax						18,823
Income tax expense						(2,504)
Profit for the year						16,319
ASSETS						
Segment assets	27,951	425,658	211	5,777	42,141	501,738
Interest in an associate	–	–	–	–	3,614	3,614
Unallocated corporate assets						4,634
Consolidated total assets						509,986
LIABILITIES						
Segment liabilities	76	30	5	329	5	445
Unallocated corporate liabilities						2,821
Consolidated total liabilities						3,266
OTHER INFORMATION						
Capital additions	–	–	–	–	479	479
Depreciation for property, plant and equipment	–	–	–	–	186	186
Unrealised loss on other investments	–	–	63	–	–	63

Geographical segments

The Group's operations are mainly located in Hong Kong and the People's Republic of China, other than Hong Kong (the "PRC"). Over 90% of the Group's sales are arisen in Hong Kong. Accordingly, no geographical analysis of sales is presented.

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

	Carrying amount of segment assets		**Additions to property, plant and equipment**	
	2006	**2005**	**2006**	**2005**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Hong Kong	386,878	460,595	1,211	479
The PRC	135,395	45,777	350	–
	522,273	506,372	1,561	479

10. INVESTMENT INCOME (EXPENSE)

	2006	**2005**
	HK$'000	*HK$'000*
Interest income from:		
Banks	84	–
Others	1	–
Gain on changes in fair value of investments held for trading	7,100	–
Unrealised loss on other investments	–	(63)
	7,185	(63)

11. INCOME TAX EXPENSE

	2006	2005
	HK$'000	*HK$'000*
The charge comprises:		
Hong Kong Profits Tax – current year	2,423	2,504

Hong Kong Profits Tax is calculated at 17.5% of the estimated assessable profit for both years.

The Company's PRC subsidiary is registered in Shenzhen and is subject to a preferential tax rate of 15%.

Details of unrecognised deferred taxation are set out in note 28.

The tax charge for the year can be reconciled to the (loss) profit before tax per the consolidated income statement as follows:

	2006	2005
	HK$'000	*HK$'000*
(Loss) profit before tax	(157,347)	18,823
Tax at domestic income tax rate of 17.5%	(27,536)	3,294
Tax effect of expenses not deductible for tax purposes	29,709	17
Tax effect of income not taxable for tax purposes	(80)	(41)
Tax effect of result of an associate	(70)	(87)
Tax effect of tax losses not recognised	562	105
Tax effect of other deferred tax assets not recognised	(12)	9
Utilisation of tax losses previously not recognised	(125)	(793)
Recognition of deferred tax assets previously not recognised	(54)	–
Effect of different tax rates of subsidiaries	29	–
Income tax expense for the year	2,423	2,504

12. (LOSS) PROFIT FOR THE YEAR

	2006	**2005**
	HK$'000	*HK$'000*
(Loss) profit for the year has been arrived at after charging:		
Salaries and allowances, including those of directors	5,714	6,342
Share-based payments	256	–
Contribution to retirement benefit schemes, including those of directors, net of forfeited contributions HK$15,000 (2005: HK$10,000)	181	220
Total employee benefit expense including those of directors	6,151	6,562
Auditors' remuneration:		
Current year	1,330	1,080
Underprovision in prior year	–	120
	1,330	1,200
Cost of inventories recognised as expense	23,108	39,617
Depreciation for property, plant and equipment	365	186
Loss on disposal of property, plant and equipment	344	–
Net loss on disposal of investments held for trading	9,679	–
and after crediting:		
Gain on disposal of property, plant and equipment	–	12

13. DIRECTORS' EMOLUMENTS

The emoluments paid or payable to each of the ten (2005: six) directors were as follows:

2006

	Yau Shum Tek, Cindy	Kwong Wai Tim, William	Lai Ming Wai	Kwok Wai Ming	Lam Ping Cheung	Kwong Kai Sing, Benny	Lo Ming Chi, Charles	Chiu Siu Po	Hui Wai Man, Shirley	Gary Drew Douglas	Total 2006
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Fees	–	–	–	–	120	104	120	29	16	16	405
Other emoluments											
Salaries and other benefits	420	1,532	810	293	–	–	–	–	–	–	3,055
Performance related incentive payments	–	–	–	–	–	–	–	–	–	–	–
Contribution to retirement benefit scheme	21	56	41	4	–	–	–	–	–	–	122
Total emoluments	441	1,588	851	297	120	104	120	29	16	16	3,582

2005

	Yau Shum Tek, Cindy	Kwong Wai Tim, William	Lai Ming Wai	Lam Ping Cheung	Kwong Kai Sing, Benny	Lo Ming Chi, Charles	Total 2005
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Fees	–	–	–	120	120	63	303
Other emoluments							
Salaries and other benefits	480	1,920	960	–	–	–	3,360
Performance related incentive payments	20	80	40	–	–	–	140
Contribution to retirement benefit scheme	20	66	50	–	–	–	136
Total emoluments	520	2,066	1,050	120	120	63	3,939

No directors waived any emoluments during the year ended 31st March 2006 (2005: nil).

14. EMPLOYEES' EMOLUMENTS

Of the five individuals with the highest emoluments in the Group, three (2005: three) were directors of the Company whose emoluments are included in the disclosures in note 13 above. Emoluments of the remaining two (2005: two) individuals were as follows:

	2006	**2005**
	HK$'000	*HK$'000*
Salaries and other benefits	813	722
Share-based payments	32	–
Contributions to retirement benefit schemes	28	16
	873	738

No emoluments were paid by the Group to the directors or the above individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

15. DIVIDEND

No dividend was proposed or paid by the Company for both years.

16. (LOSS) EARNINGS PER SHARE

The calculation of the basic (loss) earnings per share for the year is based on the loss for the year of HK$159,770,000 (2005: profit of HK$16,319,000) and on the weighted average number of 236,820,586 (2005: 187,050,723 adjusted for the effect of share consolidation) ordinary shares in issue.

Diluted loss per share for the year ended 31st March 2006 has not been presented as assuming the exercise of the Company's outstanding share options would result in a reduction in loss per share.

Diluted earnings per share for the year ended 31st March 2005 has not been presented as the exercise price of the Company's outstanding share options was higher than the average market price for shares for that year.

The adjustment to basic (loss) earnings per share, arising from the changes in accounting policies shown in note 3, is as follows:

	Impact on basic (loss) earnings per share	
	2006	**2005**
	HK$'000	*HK$'000*
Reconciliation of (loss) earnings per share:		
Figure before adjustment	(67.35)	8.72
Adjustment arising from the adoption of HKFRS 2	(0.11)	–
Reported/restated	(67.46)	8.72

17. INVESTMENT PROPERTIES

	HK$'000
FAIR VALUE	
At 1st April 2004 and 31st March 2005	5,700
Decrease in fair value recognised in the consolidated income statement	(2,700)
At 31st March 2006	3,000

The Group's investment properties, which are held for rental purposes under operating leases, are held under long-term leases in the PRC.

The Group had paid full consideration for the investment properties in the PRC. However, the Group has not obtained the title for the properties having a carrying amount of HK$2,200,000 (2005: HK$4,500,000) as at 31st March 2006.

The fair values of the Group's investment properties at 31st March 2006 have been arrived at on the basis of valuation carried out on that date by RHL Appraisal Ltd., a firm of independent property valuers not connected with the Group. The valuation, which conforms to International Valuation Standards, was arrived at by reference to market evidence of transaction prices for similar properties.

18. PROPERTY, PLANT AND EQUIPMENT

	Fixtures, furniture and equipment *HK$'000*	Computer equipment *HK$'000*	Motor vehicles *HK$'000*	Total *HK$'000*
COST				
At 1st April 2004	1,203	467	837	2,507
Additions	388	91	–	479
Disposals	(728)	(111)	(169)	(1,008)
At 31st March 2005	863	447	668	1,978
Additions	414	99	1,048	1,561
Disposals	(337)	–	(866)	(1,203)
At 31st March 2006	940	546	850	2,336
DEPRECIATION				
At 1st April 2004	860	445	790	2,095
Provided for the year	126	30	30	186
Eliminated on disposals	(649)	(108)	(152)	(909)
At 31st March 2005	337	367	668	1,372
Provided for the year	242	40	83	365
Eliminated on disposals	(42)	–	(707)	(749)
At 31st March 2006	537	407	44	988
CARRYING VALUES				
At 31st March 2006	403	139	806	1,348
At 31st March 2005	526	80	–	606

The above items of property, plant and equipment are depreciated on a straight line basis at the following rates per annum:

Fixtures	15% or over the terms of the relevant lease, whichever is shorter
Computer equipment	$33\frac{1}{3}$%
Motor vehicles	30%
Furniture and equipment	15%

19. INTEREST IN AN ASSOCIATE AND AMOUNT DUE FROM AN ASSOCIATE

	2006	**2005**
	HK$'000	*HK$'000*
Cost of investment in an associate	–	–
Less: Share of post-acquisition profits	–	494
	–	494

As at 31st March 2005, the amount due from an associate was unsecured, interest-free and had no fixed terms of repayment.

During the current year, the Group disposed of its associate to an independent third party for a consideration of HK$14,000.

20. INVESTMENTS IN SECURITIES

Investments in securities as at 31st March 2005 are set out below. Upon the application of HKAS 39 on 1st April 2005, investments in securities at 31st March 2005 of HK$42,000,000 and HK$209,000 were reclassified to available-for-sale investments and investments held for trading, respectively under HKAS 39 (see note 3 for details).

	2005
	HK$'000
Non-current investments:	
Investment securities, at cost	
Overseas unlisted shares	90,000
Less: Impairment losses recognised	(48,000)
	42,000
Current investments:	
Other investments, at market value	
Hong Kong listed shares	209

21. AVAILABLE-FOR-SALE INVESTMENTS

	2006
	HK$'000
Non-current investments:	
Unlisted overseas equity securities, at cost (note i)	90,000
Less: Impairment losses recognised	(82,130)
	7,870
Listed equity securities in Hong Kong, at fair value (note ii)	60,000
	67,870

Notes:

(i) The unlisted equity securities were issued by private entities incorporated in overseas. They are measured at cost less impairment at each balance sheet date because the range of reasonable fair value estimates is so significant that the directors of the Company are of the opinion that their fair values cannot be measured reliably.

The directors of the Company consider that these available-for-sale investments are held for long-term strategic purposes. Out of the cost of HK$90,000,000 at 31st March 2006:

(a) an amount of HK$50,000,000 represents the Group's investment in an investee company, Hennabun Management International Limited ("HMIL"). HMIL acts as an investment holding company of companies engaged in the brokerage, commodity trading, margin financing, money lending, corporate finance advisory services and proprietary trading activities.

At 31st March 2006, an impairment loss of HK$48,000,000 (2005: HK$48,000,000) had been recognised in the Group's investment in HMIL to reflect the recoverable amount of the investment.

(b) the other amount of HK$40,000,000 represents the Group's investment in 22.5% of the registered capital of Xi'an Yizhiliu. According to the Memorandum of Associate of Xi'an Yizhiliu, the Group cannot appoint a director in Xi'an Yizhiiu and thus, it is not in a position to exercise significant influence over its affairs.

A valuation on Xi'an Yizhiliu's major assets as at 31st March 2006 was performed by an independent business valuer. In view of the negative operating cash flows of Xi'an Yizhiliu in the previous years, the valuation was determined based on the fair values of its underlying assets and liabilities. By reference to this valuation, an impairment loss of HK$34,130,000 (2005: Nil) had been recognised in the Group's investment in Xi'an Yizhiliu to reflect the recoverable amount of the investment as at 31st March 2006. Such impairment loss was charged to consolidated income statement during the year.

(ii) The listed equity securities is stated at fair value. Fair value of the investment has been determined by reference to bid prices quoted in active markets.

22. LOANS RECEIVABLE

	2006	**2005**
	HK$'000	*HK$'000*
Floating rate loans receivable	236,954	425,651
The loans receivable are repayable as follows:		
Within one year	124,054	213,651
More than one year, but not exceeding two years	112,900	103,926
More than two years, but not exceeding three years	–	108,074
	236,954	425,651
Less: Amount due within one year shown under current assets	(124,054)	(213,651)
Amount due over one year	112,900	212,000

The amounts are unsecured and carry interest at prevailing market rates.

The Group's loans receivable are floating-rate receivables which carry interest ranged from prime rate quoted by The Hongkong and Shanghai Banking Corporation Limited (the "Prime Rate") to Prime Rate plus 3% (2005: Prime Rate to Prime Rate plus 3%) per annum.

The ranges of the effective interest rates (which are also equal to contracted interest rates) on the Group's loans receivable are ranged from 7.96% to 11.13%.

The directors consider that the carrying amounts of the loans receivable at the balance sheet date approximate their fair values.

The carrying amount of the loans receivable at 31st March 2006 included an impairment loss of HK$26,247,000. During the year, the Group has delegated a team to take follow-up actions to recover the overdue debts. However, these debtors either refused to pay or were unable to be located. In light with this, impairment loss was recognised.

23. TRADE AND OTHER RECEIVABLES

The Group allows an average credit period of 30 days to its trade customers.

	2006	**2005**
	HK$'000	*HK$'000*
Trade receivables *(note i)*		
0 – 30 days	–	21,907
Over 180 days	13,860	–
	13,860	21,907
Less: Impairment	(13,860)	–
	–	21,907
Deposits paid and prepayments (note ii)	221,135	6,000
Other receivables	527	555
Less: Impairment	(89,296)	–
	132,366	6,555
	132,366	28,462

The directors consider that the carrying amounts of the Group's trade and other receivable at the balance sheet date approximate their corresponding fair values.

Notes:

(i) Trade receivables as at 31st March 2006 represent overdue balances for trading of electronic products. As these debtors have financial difficulties, full impairment loss of HK$13,860,000 has been recognised.

(ii) Included in the deposits paid and prepayments as at 31st March 2006 is an amount of HK$212,596,000 which represents a deposit for the purchase of steel products paid by the Group to a supplier in the PRC during the current year. The purchase of the steel products in terms of the contract is 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 now consider that it is uneconomical to take delivery of the steel products under this contract. The Group accordingly did not place any purchase orders for steel products from this supplier during the year and is currently trying to negotiate with the supplier for either amendments of the relevant trading terms or a refund of the above deposit.

Subsequent to the balance sheet date, the Group entered an agreement to dispose of 55% of its interest in a group of subsidiaries (whose only significant asset is the above deposit) to an independent third party for a consideration of HK$128,000,000. The completion of this disposal is subject to, among other things, the satisfactory completion of a legal and financial due diligences on the relevant companies being performed by that independent third party and subject to approval of the Company's shareholders.

Up to the date of approval of these financial statements, the deposit has not been refunded to the Group. The directors consider that it may be difficult for the supplier to return the full deposit. Taking into consideration the above factors, the directors of the Company consider that the deposit is worth less than the original amount paid and as such an impairment loss of approximately HK$84,596,000, which was calculated with reference to the consideration receivable from the disposal transaction referred to in the preceding paragraph, was recognised to reflect the irrecoverable amount. Together with an impairment loss on other deposits in the amount of HK$4,700,000, the total impairment loss on deposits paid and prepayments recognised for the current year amounted to HK$89,296,000.

24. INVESTMENTS HELD FOR TRADING

	2006
	HK$'000
Equity securities listed in Hong Kong	50,309

The fair values of the above investments are determined based on the quoted market bid prices available on the relevant exchanges.

25. BANK BALANCES AND CASH

The Group's bank balances carry interest rate ranging from 0.75% to 4% per annum.

The carrying amounts of the Group's bank balances and cash at 31st March 2006 approximate their corresponding fair values.

26. OTHER PAYABLES

Included in other payables at 31st March 2006 are margin payables of HK$2,929,000 (2005: Nil) to a financial institution which are secured by certain held-for-trading investments listed in Hong Kong with a carrying amount of approximately HK$25,911,000.

The directors consider that the carrying amounts of the Group's other payables as at balance sheet date approximate their corresponding fair values.

27. UNSECURED SHORT-TERM LOAN

	2006	2005
	HK$'000	*HK$'000*
Unsecured short-term loan	12,004	–

The loan is interest bearing at Prime Rate minus 2% and repayable on demand. The effective interest rate on the Group's loan payable is 0.03% per annum. The loan is settled subsequent to the balance sheet date.

The directors consider that the carrying amount of the Group's unsecured short-term loan at the balance sheet date approximates its fair value.

28. DEFERRED TAX

At 31st March 2006, the Group has unused tax losses of HK$34,141,000 (2005: HK$44,002,000) available for offset against future profits. No deferred tax asset has been recognised in respect of the tax losses due to the unpredictability of future profit streams. The tax losses may be carried forward indefinitely.

29. SHARE CAPITAL

	Number of ordinary shares	Amount
		HK$'000
Ordinary shares		
Authorised:		
Balance at 1st April 2004 and 31st March 2005 of HK$0.01 each	200,000,000,000	2,000,000
Share consolidation	(190,000,000,000)	–
Balance at 31st March 2006 of HK$0.20 each	10,000,000,000	2,000,000
Issued and fully paid ordinary shares:		
Balance at 1st April 2004 of HK$0.01 each	3,481,124,045	34,811
Issue of shares	540,000,000	5,400
Balance at 31st March 2005 of HK$0.01 each	4,021,124,045	40,211
Share consolidation	(3,820,067,843)	–
Share of HK$0.20 each subsequent to the share consolidation	201,056,202	40,211
Issue of shares	476,000,000	95,200
Balance at 31st March 2006 of HK$0.20 each	677,056,202	135,411

The following changes in the share capital of the Company have taken place since 1st April 2004:

(i) Pursuant to a placing agreement entered into on 5th May 2004, the Company issued 240,000,000 ordinary shares of HK$0.01 each at HK$0.052 per share which represents a discount of approximately 1.89% to the closing price of HK$0.053 per share on 5th May 2004 as quoted on the Stock Exchange. The net proceeds of the placement of HK$12,093,000 was used for additional working capital of the Group.

(ii) Pursuant to a placing agreement entered into on 7th January 2005, the Company issued 300,000,000 ordinary shares of HK$0.01 each at HK$0.040 per share which represents a discount of approximately 11.11% to the closing price of HK$0.045 per share on 6th January 2005 as quoted on the Stock Exchange. The net proceeds of the placement of HK$11,625,000 was used for additional working capital of the Group.

(iii) Pursuant to ordinary resolutions passed on 4th August 2005, the following changes in the Company's share capital took place:

- a share consolidation on the basis that every twenty shares of HK$0.01 each in the issued and unissued share capital of the Company being consolidated into one consolidated share of HK$0.20 each ("Consolidated Share") was carried out ("Share Consolidation"). The authorised share capital of the Company remained at HK$2,000,000,000, but was divided into 10,000,000,000 shares of HK$0.20 each.

- pursuant to a placing agreement entered into on 13th June 2005, the Company issued 20,000,000 Consolidated Shares of HK$0.20 each after the Share Consolidation at HK$0.54 per share which represents a discount of approximately 6.9% to the closing price of HK$0.58 per share on 3rd June 2005. The net proceeds of the placement of HK$10,438,000 was used for additional working capital of the Group.

(iv) Pursuant to a placing agreement entered into on 1st December 2005, the Company issued 44,000,000 Consolidated Shares of HK$0.20 each after the Share Consolidation at HK$0.670 per share which represents a discount of approximately 4.29% to the closing price of HK$0.70 per share on 1st December 2005. The net proceeds of the placement of HK$29,038,000 was used for additional working capital of the Group.

(v) Pursuant to a placing agreement entered into on 30th December 2005, the Company issued 250,000,000 Consolidated Shares of HK$0.20 each after the Share Consolidation at HK$0.20 per share which represents a discount of approximately 2% to the closing price of HK$0.204 per share on 29th December 2005. The net proceeds of the placement of HK$48,276,000 was used for additional working capital of the Group.

(vi) Pursuant to a placing agreement entered into on 30th December 2005, the Company issued 150,000,000 Consolidated Shares of HK$0.20 each after the Share Consolidation at HK$0.20 per share. The net proceeds of the placement of HK$29,325,000 was used for additional working capital of the Group.

(vii) On 13th February 2006, certain eligible employees have exercised its shares options total 12,000,000 shares of HK$0.244 each per share. The net proceeds of the exercise of shares of HK$2,928,000 was used for additional working capital of the Group.

These new ordinary shares issued during the year rank pari passu with the then existing ordinary shares of the Company in all respects.

30. SHARE-BASED PAYMENT TRANSACTIONS

The share option scheme of the Company was approved and adopted by the shareholders at the extraordinary general meeting held on 23rd August 2002 (the "2002 Scheme"). The 2002 Scheme shall be valid and effective for a period of 10 years commencing from 23rd 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 limit is subject to shareholders' approval in advance in a general meeting.

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

The 2002 Scheme will expire on 22nd August 2012.

There were 60,000,000 outstanding share options as at 1st April 2005, pursuant to a share consolidation on the basis that every twenty shares of HK$0.01 each in the issued share capital and unissued share capital of the Company being consolidated into one share of HK$0.20 which became effective on 5th August 2005, the subscription price per share and the total number of shares which may be issued relating to these share options granted have been respectively adjusted from HK$0.06 to HK$1.2 and from a total of 60,000,000 shares to 3,000,000 shares accordingly.

During the year ended 31st March 2006, options totalling to 12,000,000 shares were granted on 3rd February 2006 to certain eligible employees. The estimated fair value of the options on that date is HK$256,000 and recognised in the consolidated income statement.

A summary of movements of share options held by the directors of the Company and the employees of the Group is as follows:

	Date of grant	Exercisable period	Subscription price per share *HK$*	Outstanding at 1.4.2004	Granted during the year	Outstanding at 31.3.2005	Granted during the year	Exercise during the year	Outstanding at 31.3.2006
				Number of share options					
Directors	16.1.2004	16.1.2004 to 15.1.2009	0.06/1.20*	3,000,000*	–	3,000,000*	–	–	3,000,000*
Employees	3.2.2006	3.2.2006 to 2.2.2011	0.244	–	–	–	12,000,000	(12,000,000)	–
				3,000,000	–	3,000,000	12,000,000	(12,000,000)	3,000,000

* *These share options were held by the relevant directors as beneficial owners.*

In respect of the share options exercised during the year, the weighted average share price at the date of exercise is HK$0.219.

The fair value of the share options granted during the year was calculated using The Black-Scholes option pricing model. The inputs into the model were as follows:

	2006
Share price per share at grant date	HK$0.244
Exercise price	HK$0.244
Expected volatility	79.59%
Weighted average expected life	1 month
Weighted average Hong Kong Monetary Exchange Fund Bills and Notes	3.43%
Expected dividend yield	0%

Expected volatility was determined by using the historical volatility of the Company's share price over past year. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations.

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

31. BALANCE SHEET OF THE COMPANY

	Note	2006	2005
		HK$'000	*HK$'000*
Non-current asset			
Interests in subsidiaries		–	502,145
Current assets			
Other receivables		166	72
Amounts due from subsidiaries		481,483	–
Tax recoverable		300	–
Bank balances and cash		30,267	3,644
		512,216	3,716
Current liabilities			
Other payables		1,869	1,168
Unsecured short-term loan		12,004	–
Amount due to a subsidiary		871	–
Tax payable		–	1,495
Bank overdrafts		762	–
		15,506	2,663
Net current assets		496,710	1,053
		496,710	503,198
Capital and reserves			
Share capital		135,411	40,211
Reserves	*(a)*	361,299	462,084
		496,710	502,295
Non-current liability			
Amount due to a subsidiary		–	903
		496,710	503,198

Note:

(a) Reserves

	Share premium HK$'000	Capital redemption reserve HK$'000	Contributed surplus HK$'000 (note i)	Distributable reserve HK$'000 (note ii)	Share option reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1st April 2004	302,795	485	39,521	595,191	–	(509,711)	428,281
Issue of shares	19,080	–	–	–	–	–	19,080
Expenses incurred in connection with the issue of shares	(762)	–	–	–	–	–	(762)
Profit for the year	–	–	–	–	–	15,485	15,485
At 31st March 2005	321,113	485	39,521	595,191	–	(494,226)	462,084
Issue of shares	28,008	–	–	–	–	–	28,008
Expenses incurred in connection with the issue of shares	(803)	–	–	–	–	(2,400)	(3,203)
Recognition of equity-settled share-based payment expenses	–	–	–	–	256	–	256
Release of share option reserve on exercise of share options	256	–	–	–	(256)	–	–
Loss for the year	–	–	–	–	–	(125,846)	(125,846)
At 31st March 2006	348,574	485	39,521	595,191	–	(622,472)	361,299

Notes:

(i) The contributed surplus of the Company 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.

(ii) The distributable reserve of the Group and the Company represents the aggregate of the credit arising from the following:

(a) the reduction of 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 31st October 1998, after a transfer of HK$607,193,000 towards the elimination of the accumulated losses of the Company at 31st October 1998; and

(b) capital reduction during the year ended 31st March 2002.

32. OPERATING LEASE COMMITMENTS

The Group as lessee

	2006	2005
	HK$'000	*HK$'000*
Minimum lease payments paid under operating leases in respect of rented premises during the year	458	692

At the balance sheet date, the Group had commitments for future minimum lease payments under non-cancellable operating leases in respect of office premises and staff quarters which fall due as follows:

	2006	2005
	HK$'000	*HK$'000*
Within one year	319	256
In the second to fifth year inclusive	162	404
	481	660

Leases are negotiated for an average term of three years and rentals are fixed for an average term of three years.

33. CAPITAL COMMITMENTS

	THE GROUP	
	2006	2005
	HK$'000	*HK$'000*
Capital expenditure contracted for but not provided in the consolidated financial statements in respect of acquisition of a subsidiary	3,482	–
Capital expenditure contracted for but not provided in the consolidated financial statements in respect of acquisition of an investment property	2,641	–

34. RETIREMENT BENEFIT SCHEME

The Group operates a Mandatory Provident Fund Scheme for all qualifying employees. The assets of the schemes are held separately from those of the Group, in funds under the control of trustees. The Group contributes a certain percentage of relevant payroll costs to the scheme.

The employees of a subsidiary of the Group in the PRC are member of the state-managed retirement benefit schemes operated by the PRC government. The PRC subsidiary is required to contribute a certain percentage of payroll costs to the retirement benefit schemes to fund the benefits. The only obligation of the Group with respect to the retirement benefit schemes is to make the specified contributions.

35. RELATED PARTIES DISCLOSURES

Compensation of key management personnel

The remuneration of directors as key management of the Group during the year was as follow:

	2006	2005
	HK$'000	*HK$'000*
Short-term benefits	3,460	3,803
Post-employment benefits	122	136
	3,582	3,939

The remuneration of directors is decided by the directors, who are authorised by the shareholders, having regard to the performance of the individuals and market trends.

36. POST BALANCE SHEET EVENTS

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

(1) On 10th April 2006, the Group entered into and completed a sale and purchase agreement with an independent third party for the acquisition of the entire issued share capital in Leapfly Limited ("Leapfly") at a cash consideration of HK$7,000,000. Leapfly is an investment holding company.

Leapfly holds a conditional call option to acquire 50% of the registered capital of RMB15,000,000 of Tianjin Kai Shing Automobile Service Co. Ltd ("Kai Shing") from an independent third party at a cash consideration of RMB7,500,000 (equivalent to HK$7,140,000). Kai Shing is engaged in the motor cars repairs and maintenance services and selling of car components.

Pursuant to the relevant call option deed, the call option granted to Leapfly is to be exercisable at any time during the period of 2 years commencing on 1st September 2008 (the "Option Period"). The option would lapse if it has not been exercised during the Option Period.

(2) Pursuant to the special resolutions passed on 11th May 2006, the Company underwent a capital reorganisation which included the followings:

(a) the nominal value of all the issued shares be reduced from HK$0.20 each to HK$0.10 each by (i) canceling HK$0.10 paid up on each issued shares by way of reduction of capital; (ii) canceling the unissued shares in the authorised share capital of the Company and (iii) increasing the authorised share capital of the Company by creating new shares of HK$0.10 each equivalent to the same number of the unissued share cancelled under (ii);

(b) the credit arising from such reduction will be applied towards cancelling the accumulated losses of the Company in the amount of HK$485,000,000 as shown in the unaudited financial statements of the Company for the six months ended 30th September 2005; and

(c) the sums standing to the credit of the share premium account of the Company in the amount of HK$327,000,000 as shown in the unaudited financial statements of the Company for the six months ended 30th September 2005 will be cancelled and the credit arising thereupon be applied to cancel the balance of the accumulated losses of the Company.

(3) On 24th March 2006, the Group entered into a sale and purchase agreement with a third party for the acquisition of the entire share capital in Startech Business Limited ("Startech") and a related shareholder's loan, at a cash consideration of HK$3,882,000. Startech is engaged in property investment. The transaction was completed on 3rd May 2006.

(4) On 30th December 2005, the Company entered into a placing agreement with a placing agent on a best effort basis for the placing of 750,000,000 shares at a price of HK$0.20 per share. The placing price represents no discount or premium to the closing price of HK$0.20 per share on 29th December 2005 as quoted on the Stock Exchange.

The placing of 150,000,000 shares out of the 750,000,000 placing shares has been completed during the year. The remaining 600,000,000 shares have been completed subsequent to the balance sheet date. The issued and fully paid share capital has been increased by HK$120 million.

(5) On 21st April 2006, the Group entered into a sale and purchase agreement with Yearwise Finance Limited, an independent third party, for the acquisition of a convertible note for a cash consideration of HK$100,000,000. The convertible note is convertible into shares in HMIL.

Upon completion of the exercise of the convertible note to convert into HMIL shares, the indirect shareholding of the Company in HMIL will be approximately in aggregate 50.64% of the issued share capital of HMIL as enlarged by the new HMIL shares to be issued upon the conversion of the convertible note. As the convertible note is currently exercisable and convertible, such potential voting rights held by the Group makes HMIL become a subsidiary of the Group after the balance sheet date.

On 8th June 2006, the Group entered into another sale and purchase agreement with Heritage International Holdings Limited, an independent third party, to further acquire 53,800,000 shares of HMIL for a consideration of HK$11,000,000 to be satisfied by the issue of the shares representing approximately 4.30% of the issued share capital of the Company as enlarged by the issue of the shares. This acquisition was completed on 23rd June 2006 and Heritage International Holdings Limited then became a substantial shareholder of the Company.

(6) On 17th July 2006, the Group entered into a sale and purchase agreement with a third party for the disposal of 55% interest in Mega Victory Limited, a subsidiary of the Company established subsequent to the balance sheet date to hold the entire interests in two subsidiaries of the Company, at a consideration of HK$128,000,000. The principal assets of these three subsidiaries as at 31st March 2006 are the trade and other receivables of HK$13,860,000 and HK$220,596,000, respectively, of which an impairment loss of HK$13,860,000 and HK$89,296,000, respectively, has been recognised as at that date. As described in note 23, the impairment loss of HK$84,596,000 was determined with reference to the consideration receivable from this disposal transaction. The transaction has not been completed at the date of approval of these consolidated financial statements.

As there is no audited financial information of Leapfly, Startech and HMIL upto the date of approval of these consolidated financial statements, in the opinion of the directors of the Company, it is impracticable to quantify the amounts recognised at the date of acquisition for each class of assets, liabilities and contingent liabilities of those companies acquired subsequent to balance sheet date.

37. PRINCIPAL SUBSIDIARIES

Details of the Company's principal subsidiaries at 31st March 2006 are as follows:

Name of subsidiary	Place of incorporation/ registration	Nominal value of issued and fully paid ordinary share capital	Proportion of nominal value of issued share capital held by the Company		Principal activities
			Directly	Indirectly	
			%	%	
Asia Hunter Global Limited	BVI	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
Equity Spin Investments Limited	BVI	US$1	100	–	Investment holding
Far Hero Limited	Hong Kong	HK$2	–	100	Property investment
Freeman International Limited	Hong Kong	HK$1	–	100	Property investment
Hansom Finance Limited	Hong Kong	HK$2	–	100	Provision of finance
Longsun Ltd.	BVI	US$1	100	–	Investment holding
Peking Bay Assets Limited	BVI	US$1	–	100	Investment holding
Hansom Eastern International Trading (Group) Limited	Hong Kong	HK$1,000	–	100	Sale of goods
Smart Jump Corporation	BVI	US$1	–	100	Trading in securities
Win Advance Development Limited	Hong Kong	HK$2	–	100	Property investment
Wise Sky Ltd.	BVI	US$1	100	–	Investment holding
恒盛東方進出口(深圳)有限公司	PRC	HK$1,000,000	–	100	Sale of goods

None of the subsidiaries had any debt securities subsisting at the end of the year or at any time during the year.

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

3. AUDITORS' REPORT

Set out below is a reproduction of the text of the auditors' report issued by Deloitte Touche Tohmatsu expressing their opinion on the Group's financial statement for the year ended 31 March 2006 as set out on page 22 to page 23 of the annual report of the Company for the year ended 31 March 2006.

Deloitte.
德勤

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

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

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

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

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

BASIS OF OPINION

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

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

We planned our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance as to whether the consolidated financial statements are free from material misstatement. However, the evidence available to us was limited as follows. As described in note 23 to the consolidated financial statements, during the year the Group entered into a contract to purchase steel products from a supplier in the People's Republic of China at a fixed price (with an upward price adjustment based on the production costs of the supplier), and placed a deposit of approximately

HK$212,596,000 with the supplier. Subsequent to the conclusion of the contract, the steel price decreased. As such the directors believe that it is currently uneconomical to take delivery of the steel products in terms of the contract and the Group is trying to negotiate with the supplier to amend the trading terms or for a refund of the deposit.

The Group has not placed any purchase orders for steel products from this supplier during the year. Subsequent to the balance sheet date the Group entered into an agreement to dispose of 55% of its interest in a group of subsidiaries, whose only significant asset is this deposit, to an independent third party for a consideration of HK$128,000,000. The completion of this disposal is still subject to the satisfactory completion of legal and financial due diligence on the relevant companies being performed by the purchaser and the approval of the Company's shareholders. As the outcome of the negotiations with the supplier cannot be predicted at this time, the directors are of the opinion that the deposit is significantly impaired, and as such an impairment loss of HK$84,596,000 has been recognised. This amount was calculated with reference to the proceeds that would be realised on the partial disposal of the subsidiaries referred to above. However we were unable to obtain sufficient audit evidence in respect of the amount of this impairment loss. There were no other satisfactory audit procedures that we could adopt to satisfy ourselves as to whether the amount of the impairment loss recognised is fairly stated. Any adjustments found to be necessary may have an effect on the net assets of the Group as at 31st March 2006 and its loss for the year then ended.

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

QUALIFIED OPINION ARISING FROM LIMITATION OF AUDIT SCOPE

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

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

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

4. UNAUDITED INTERIM RESULTS

Set out below is a summary of the unaudited consolidated financial statements of the Group together with the relevant notes to the accounts as extracted from the interim report of the Company for the six months ended 30 September 2006.

INTERIM FINANCIAL REPORT

The Board of Directors of Freeman Corporation Limited (the "Company") hereby presents the unaudited condensed consolidated financial statements of the Company and its subsidiaries (the "Group") for the six months ended 30th September, 2006. These condensed consolidated interim financial statements have not been audited, but have been reviewed by the Company's audit committee.

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30th September, 2006

		For the six months ended 30th September,	
		2006	**2005**
	NOTES	*HK$'000*	*HK$'000*
		(Unaudited)	(Unaudited)
Turnover	*3*	96,241	37,971
Cost of sales		(97,912)	(23,689)
Gross (loss)/profit		(1,671)	14,282
Other income		57,640	162
Impairment loss recognised in respect of available-for-sale investments		–	(6,000)
Loss on changes in fair value of investments held for trading		(26,128)	–
Impairment loss recognised in respect of loans receivable		(118,752)	–
Loss on disposal of investment securities		(3,500)	–
Loss on changes in fair value of embedded financial derivatives		(1,872)	–
Administrative and other expenses		(11,483)	(8,148)
(Loss)/profit from operations	*5*	(105,766)	296
Finance costs		(1,969)	(13)
Share of results of an associate		–	400
(Loss)/profit before taxation		(107,735)	683
Taxation	*6*	2,384	(1,229)
Net loss for the period		(105,351)	(546)
Loss per share – basic	*8*	HK(8.88) cents	HK(0.27) cent

CONDENSED CONSOLIDATED BALANCE SHEET

At 30th September, 2006

	NOTES	**30.9.2006** *HK$'000* (Unaudited)	**31.3.2006** *HK$'000* (Audited)
Non-current assets			
Investment properties	*9*	36,670	3,000
Property, plant and equipment	*10*	2,180	1,348
Interest in an associate		59,065	–
Available-for-sale investments	*11*	135,236	67,870
Loans receivable – non-current portion	*12*	–	112,900
		233,151	185,118
Current assets			
Trade and other receivables	*13*	83,222	132,366
Loans receivable – current portion	*12*	217,480	124,054
Investments held for trading		26,789	50,309
Tax recoverable		390	300
Bank balances and cash		4,230	30,426
		332,111	337,455
Current liabilities			
Other payables		4,136	5,690
Embedded financial derivatives		3,936	–
Unsecured short-term loan		50,000	12,004
Bank loans – secured		966	–
Tax payable		–	2,474
Bank overdrafts		2,396	762
		61,434	20,930
Net current assets		270,677	316,525
Non-current liabilities			
Bank loans – secured		19,908	–
Net assets		483,920	501,643
Capital and reserves			
Share capital	*14*	133,264	135,411
Reserves		350,656	366,232
		483,920	501,643

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30th September, 2006

	Share capital	Share premium	Capital redemption reserve	Special reserve	Translation reserve	Investment revaluation reserve	Distributable reserve	Share option reserve	Accumulated losses	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
(Unaudited)										
THE GROUP										
At 1st April, 2005	40,211	321,113	485	35,131	–	–	595,191	–	(485,411)	506,720
Exchange difference on translation of overseas operations recognised directly in equity	–	–	–	–	4,034	–	–	–	–	4,034
Issue of shares	4,000	6,800	–	–	–	–	–	–	–	10,800
Expenses incurred in connection with the issue of shares	–	(362)	–	–	–	–	–	–	–	(362)
Net loss for the period	–	–	–	–	–	–	–	–	(546)	(546)
At 30th September, 2005	44,211	327,551	485	35,131	4,034	–	595,191	–	(485,957)	520,646
As at 1st April, 2006	135,411	348,574	485	35,131	4,034	30,398	595,191	–	(647,581)	501,643
Issue of shares	131,000	–	–	–	–	–	–	–	–	131,000
Capital reorganisation	(133,205)	(327,552)	–	–	–	–	–	–	460,757	–
Share option	58	46	–	–	–	–	–	(14)	–	90
Expenses incurred in connection with the issue of shares	–	(2,700)	–	–	–	–	–	–	–	(2,700)
Elimination of translation reserve on disposal of subsidiaries	–	–	–	–	(4,034)	–	–	–	–	(4,034)
Loss on changes in fair value of available-for-sale investments	–	–	–	–	–	(39,830)	–	–	–	(39,830)
Recognition of equity-settled share-based payment expenses	–	–	–	–	–	–	–	3,102	–	3,102
Net loss for the period	–	–	–	–	–	–	–	–	(105,351)	(105,351)
At 30th September, 2006	133,264	18,368	485	35,131	–	(9,432)	595,191	3,088	(292,175)	483,920

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30th September, 2006

	For the six months ended 30th September,	
	2006	**2005**
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Net cash from/(used in) operating activities	34,031	(11,808)
Net cash (used in)/from investing activities	(247,166)	3,465
Net cash from financing activities	185,305	10,438
Net (decrease)/increase in cash and cash equivalents	(27,830)	2,095
Cash and cash equivalents at beginning of the period	29,664	3,744
Cash and cash equivalents at end of the period, representing bank balances and cash	1,834	5,839
Analysis of the balances of cash and cash equivalents		
Cash at bank and in hand	4,230	5,839
Bank overdrafts	(2,396)	–
	1,834	5,839

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

For the six months ended 30th September, 2006

1. BASIS OF PREPARATION

This interim financial report has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, including compliance with Hong Kong Accounting Standard (HKAS) 34, Interim financial reporting, issued by the Hong Kong Institute of Certified Public Accountants (HKICPA). It was authorised for issuance on 28th December, 2006.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2005/2006 annual financial statements. Accordingly, this interim financial report should be read in conjunction with the 2005/2006 annual financial statements.

The preparation of an interim financial report in conformity with HKAS 34 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

This interim financial report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2005/2006 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all the information required for full set of financial statements prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs").

The financial information relating to the financial year ended 31st March, 2006 that is included in the interim financial report as being previously reported information does not constitute the company's statutory financial statements for that financial year but is derived from those financial statements. Statutory financial statements for the year ended 31st March, 2006 are available from the company's registered office. The auditors have expressed a qualified opinion on those financial statements in their report dated 27th July, 2006.

2. SUMMARY OF THE EFFECTS OF THE CHANGES IN ACCOUNTING POLICIES

The Group has not early applied the following new standards, amendments or interpretations that have been issued but are not yet effective. The directors of the Company anticipate that the application of these standards, amendments or interpretations will have no material impact on the financial statements of the Group:

HKAS 1 (Amendment)	Presentation of financial statements: capital disclosures[1]
HKFRS 7	Financial instruments: disclosures[1]
HK(IFRIC)-Int 8	Scope of HKFRS 2[2]
HK(IFRIC)-Int 9	Reassessment of embedded derivatives[3]

[1] Effective for annual periods beginning on or after 1st January, 2007.
[2] Effective for annual periods beginning on or after 1st May, 2006.
[3] Effective for annual periods beginning on or after 1st June, 2006.

Initial assessment has indicated that the adoption of these HKFRSs would not have a significant impact on the company's financial statement in the year of initial application. The company will be continuing with the assessment of the impact of these HKFRSs and other significant changes may be identified as a result.

3. TURNOVER

Turnover represents the net amounts received and receivable from sales of securities, sales of goods, interest income from provision of finance and dividend income from investments in securities during the period, and is analysed as follows:

	For the six months ended 30th September, 2006	
	2006	**2005**
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Sales of securities	78,530	608
Sales of goods	–	23,355
Interest income from provision of finance	14,136	14,008
Dividend and interest income from investments in securities	3,320	–
Rental income	255	–
	96,241	37,971

4. SEGMENT INFORMATION

The Group is organised into five (1.4.2005 to 30.9.2005: five) main operating segments: trading of goods, provision of finance, trading of securities, property holding and investment and investment activities.

These divisions are the bases on which the Group reports its primary segment information.

Segment information about these businesses is presented below:

Business Segments

	For the six months ended 30th September, 2006 (Unaudited)					
	Trading of goods	**Provision of finance**	**Trading of securities**	**Property holding and investment**	**Investment activities**	**Consolidated**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
TURNOVER	–	14,136	78,530	255	3,320	96,241
SEGMENT RESULTS	(25)	(104,453)	(45,394)	480	51,853	(97,539)
Unallocated corporate expenses						(8,227)
Loss from operations						(105,766)
Finance costs						(1,969)
Loss before taxation						(107,735)
Taxation						2,384
Net loss for the period						(105,351)

	For the six months ended 30th September, 2005 (Unaudited)					
	Trading of goods	Provision of finance	Trading of securities	Property holding and investment	Investment activities	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
TURNOVER	23,355	14,008	608	–	–	37,971
SEGMENT RESULTS	(888)	14,071	(32)	(83)	(6,084)	6,984
Unallocated corporate expenses						(6,688)
Profit from operations						296
Finance costs						(13)
Share of results of an associate						400
Profit before taxation						683
Taxation						(1,229)
Net loss for the period						(546)

5. (LOSS)/PROFIT FROM OPERATIONS

	For the six months ended 30th September,	
	2006	2005
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
(Loss)/Profit from operations has been arrived at after charging/(crediting):		
Gain on disposal of subsidiary	(59,836)	–
Loss on disposal of subsidiary	3,920	–
Net gain on disposal of subsidiaries	(55,916)	–
Negative goodwill arising from acquisition of a subsidiary	(893)	–
Loss on changes in fair value of investments held for trading	26,128	52
Depreciation of property, plant and equipment	353	164
Share-based payment	3,102	–

6. TAXATION

Tax credit in the period represents overprovision of Hong Kong Profits Tax in previous years (1.4.2005 to 30.9.2005: tax charge represents Hong Kong Profits Tax calculated at 17.5% of the estimated assessable profit for the period).

No deferred tax asset has been recognised in respect of tax losses due to the unpredictability of future profit streams. At 30th September, 2006, the Group has unused tax losses of HK$76,179,000 (31.3.2006: HK$34,141,000). The tax losses may be carried forward indefinitely.

7. DIVIDEND

No dividend was paid by the Company during the period (1.4.2005 to 30.9.2005: nil).

8. LOSS PER SHARE

The calculation of the basic loss per share for the period is based on the net loss for the period of HK$105,351,000 (1.4.2005 to 30.9.2005: loss of HK$546,000) and on the weighted average of 1,185,894,453 (1.4.2005 to 30.9.2005: 205,755,656, adjusted for the effect of share consolidation in 2005) ordinary shares in issue.

Diluted Earnings Per Share

Diluted loss per share has not been presented for the periods ended 30th September, 2006 and 30th September, 2005 as the exercise of the Company's outstanding share options would result in a reduction in loss per share.

9. INVESTMENT PROPERTIES

	30.9.2006	**31.3.2006**
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Fair Value		
At 1st April	3,000	5,700
Additions	33,111	–
	36,111	5,700
Increase/(decrease) in fair value recognised in the consolidated income statement	559	(2,700)
At 30th September/31st March	36,670	3,000

The fair values of the Group's investment properties at 30th September, 2006 have been arrived at on the basis of valuation carried out on that date by the directors. The valuation was arrived at by reference to market evidence of transaction prices for similar properties.

10. PROPERTY, PLANT AND EQUIPMENT

During the period, the Group acquired property, plant and equipment with a carrying value of HK$1,186,000 (1.4.2005 to 30.9.2005: HK$535,000).

11. AVAILABLE-FOR-SALE INVESTMENTS

	30.9.2006	**31.3.2006**
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Unlisted overseas equity securities	13,000	7,870
Listed securities in Hong Kong	15,840	60,000
Convertible note *(note)*	106,396	–
	135,236	67,870

Note: The balance at 30th September, 2006 represented the fair value of certain convertible note issued by Hennabun Management International Limited ("HMIL") and held by the Group. The Group has the right to convert the note into shares in HMIL as soon as practicable subject to all necessary approvals from the regulatory authorities being obtained, to the extent required.

The note entitles the Group to receive interest at 8% per annum and the interest income earned by the Group during the period amounting to approximately HK$3,158,000.

The note has attached an embedded financial derivative liability amounting to approximately HK$3,936,000 at 30th September, 2006.

The estimate of the fair value of the convertible note is based on the discounted cash flow techniques with estimated future cash flows arrived based on management's best estimates with reference to the valuation report issued by RHL Appraisal Ltd. and the discount rate is a market related rate for a similar instrument at the balance sheet date. The interest rate used to determine the yield of the convertible note is 11.849% and the loss on changes in fair value of the embedded financial derivatives recognised in the consolidated income statement amounting to approximately HK$1,872,000.

12. LOANS RECEIVABLE

	30.9.2006	31.3.2006
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Floating rate loans receivable	336,232	236,954
Less: Impairment	(118,752)	–
	217,480	236,954

The loans receivable are repayable as follows:

	30.9.2006	31.3.2006
Within one year	217,480	124,054
More than one year, but not exceeding two years	–	112,900
More than two years, but not exceeding three years	–	–
	217,480	236,954
Less: Amount due within one year shown under current assets		
Amount due over one year	(217,480)	(124,054)
	–	112,900

The amounts are unsecured and carry interest at prevailing market rates.

The Group negotiates credit period with borrowers according to the credit of individual borrower.

13. TRADE AND OTHER RECEIVABLES

The Group allows an average credit period of 30 days to its trade customers. The following is an aged analysis of trade receivables at the reporting date:

	30.9.2006	31.3.2006
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Trade receivables		
0-30 days	517	–
Over 30 days to 1 year	–	13,860
	517	13,860
Less: Impairment	–	(13,860)
	517	–
Deposits, prepayments and other receivables	82,705	221,662
Less: Impairment	–	(89,296)
	83,222	132,366

The deposits, prepayments and other receivables as at 31st March, 2006 included an amount of HK$212,596,000 for the purchase of steel from a supplier in mainland China.

14. SHARE CAPITAL

		Number of ordinary shares	Amount *HK$'000*
Ordinary shares of HK$0.01 each			
Authorised:			
Balance at 1st April, 2005 of HK$0.01 each		200,000,000,000	2,000,000
Share consolidation	*(a)*	(190,000,000,000)	–
Balance at 31st March, 2006 of HK$0.20 each		10,000,000,000	2,000,000
Capital reorganization of HK$0.10 each	*(g), (i)*	–	(1,000,000)
Balance at 30th September, 2006 of HK$0.10 each		10,000,000,000	1,000,000
Issued and fully paid ordinary shares:			
Balance at 1st April, 2005 of HK$0.01 each		4,021,124,045	40,211
Share consolidation		(3,820,067,843)	–
Share of HK$0.20 each subsequent to the share consolidation		201,056,202	40,211
Issue of shares through placing	*(a), (b), (c), (d)*	464,000,000	92,800
Issue of shares through share option	*(e)*	12,000,000	2,400
Balance at 31st March, 2006 of HK$0.20 each		677,056,202	135,411
Issue of shares through placing	*(f)*	600,000,000	120,000
Consideration issue of shares	*(h)*	55,000,000	11,000
Capital reorganization of HK$0.10 each	*(g), (i)*	–	(133,205)
Issue of shares through share option	*(j)*	580,000	58
Balance at 30th September, 2006 of HK$0.10 each		1,332,636,202	133,264

The following changes in the share capital of the Company have taken place since 1st April, 2005:

(a) Pursuant to ordinary resolutions passed on 4th August, 2005, the following changes in the Company's share capital took place:

– a share consolidation on the basis that every twenty shares of HK$0.01 each in the issued and unissued share capital of the Company being consolidated into one consolidated share of HK$0.20 each ("Consolidated Share") was carried out ("Share Consolidation"). The authorised share capital of the Company remained at HK$2,000,000,000, but was divided into 10,000,000,000 shares of HK$0.20 each;

– pursuant to a placing agreement entered into on 13th June, 2005, the Company issued 20,000,000 Consolidated Shares of HK$0.20 each after the Share Consolidation at HK$0.54 per share. The net proceeds of the placement of HK$10,438,000 was used for additional working capital of the Group.

(b) Pursuant to a placing agreement entered into on 1st December, 2005, the Company issued 44,000,000 Consolidated Shares of HK$0.20 each after the Share Consolidation at HK$0.670 per share. The net proceeds of the placement of HK$29,038,000 was used for additional working capital of the Group.

(c) Pursuant to a placing agreement entered into on 30th December, 2005, the Company issued 250,000,000 Consolidated Shares of HK$0.20 each after the Share Consolidation at HK$0.20 per share. The net proceeds of the placement of HK$48,276,000 was used for additional working capital of the Group.

(d) Pursuant to a placing agreement entered into on 30th December, 2005, the Company issued 150,000,000 Consolidated Shares of HK$0.20 each after the Share Consolidation at HK$0.20 per share. The net proceeds of the placement of HK$29,325,000 was used for additional working capital of the Group.

(e) On 13th February, 2006, certain eligible employees have exercised its share options totaling 12,000,000 shares of HK$0.244 each per share. The net proceeds of the exercise of shares of HK$2,928,000 was used for additional working capital of the Group.

(f) On 30th December, 2005, the Company entered into a placing agreement with a placing agent on a best effort basis for the placing of 750,000,000 shares at a price of HK$0.20 per share.

The placing of 150,000,000 shares out of 750,000,000 placing shares has been completed during the year end 31st March, 2006 as mentioned in Note (d). The remaining 300,000,000 and 300,000,000 shares have been completed on 24th April, 2006 and 22nd May, 2006 respectively. The issued and fully paid share capital has been increased by HK$120 million.

(g) Pursuant to the special resolutions passed on 11th May, 2006, the Company underwent a capital reorganisation which included the followings:

– the nominal value of all the issued shares be reduced from HK$0.20 each to HK$0.10 each by (i) canceling HK$0.10 paid up on each issued shares by way of reduction of capital; (ii) canceling the unissued shares in the authorised share capital of the Company and (iii) increasing the authorised share capital of the Company by creating new shares of HK0.10 each equivalent to the same number of the unissued share cancelled under (ii);

– the credit arising from such reduction be applied towards canceling the accumulated losses of the Company in the amount of HK$485,000,000 as shown in the unaudited financial statements of the Company for the six months ended 30th September, 2005; and

– the sums standing to the credit of the share premium account of the Company in the amount of HK$327,000,000 as shown in the unaudited financial statements of the Company for the six months ended 30th September, 2005 be cancelled and the credit arising thereupon be applied to cancel the balance of the accumulated losses of the Company.

(h) On 8th June, 2006, Heritage and the Company entered into an agreement whereby the Company agreed to purchase and Heritage agreed to sell or procure the sale of the Sale Shares for a consideration of HK$11,000,000 to be satisfied by the issue and allotment of 55,000,000 Consideration Shares at HK$0.20 per Consideration Share.

(i) Pursuant to the special resolutions passed on 11th May, 2006 as mentioned in Note (g) and with the sanction of an Order of the Grand Court of the Cayman Islands dated 18th August, 2006, the issued share capital of the Company was reduced from HK$266,411,240.40 divided into 1,332,056,202 ordinary shares of HK$0.20 each to HK$133,205,620.20 divided into 1,332,056,202 ordinary shares of HK$0.10 each (the “Capital Reorganisation”).

Upon the Capital Reorganisation becoming effective, all of the authorised but unissued share capital of the Company (including the authorised but unissued share capital of the Company arising from the Capital Reorganisation) was cancelled and forthwith upon such cancellation, the authorised share capital of the Company was immediately increased to HK$1,000 million by the creation of the requisite number of new shares of HK$0.10 each. As at the date of the registration (21st August, 2006) of the Minute filed to the Companies Registry of the Cayman Islands, the authorised share capital of the Company is HK$1,000 million divided into shares of HK$0.10 each, of which 1,332,056,202 ordinary shares of HK$0.10 each have been issued and are fully paid or credited as fully paid.

(j) On 30th August, 2006, options were exercised to subscribe for 580,000 ordinary shares in the Company at a consideration of HK$89,900 of which HK$58,000 was credited to share capital and the balance of HK$46,100 was credited to the share premium account and HK$14,200 was debited to the share option reserve account respectively.

(k) Terms of unexpired and unexercised share options at balance sheet date:

Exercise period	**Exercise price**	**30.9.2006 Number**	**30.9.2005 Number**
16.1.2004 to 15.1.2009	HK$1.20	3,000,000	3,000,000
8.9.2006 to 7.9.2011	HK$0.155	133,000,000	–
		136,000,000	3,000,000

Each option entitles the holder to subscribe for one ordinary share in the Company.

15. SHARE OPTIONS

A summary of movements of share options held by the directors of the Company, the employees of the Group and the business partners is as follows:

				Number of share options			
	Date of grant	**Exercisable period**	**Subscription price per share**	**Outstanding at 30.9.2005**	**Granted during the period**	**Exercise during the period**	**Outstanding at 30.9.2006**
Directors	16.1.2004	16.1.2004 to 15.1.2009	1.20	3,000,000	–	–	3,000,000*
Employees	25.8.2006	25.8.2006 to 24.8.2011	0.155	–	580,000	(580,000)	–
	8.9.2006	8.9.2006 to 7.9.2011	0.155	–	100,000,000	–	100,000,000
Business partners	8.9.2006	8.9.2006 to 7.9.2011	0.155	–	33,000,000	–	33,000,000
				3,000,000	133,580,000	(580,000)	136,000,000

* *These share options were held by the relevant directors as beneficial owners.*

16. ACQUISITION OF A SUBSIDIARY

On 24th March, 2006, the Group entered into a sale and purchase agreement with a third party for the acquisition of 100% equity interest in Startech Business Limited ("Startech") and a related shareholder's loan, at a cash consideration of HK$3,882,000. This transaction has been accounted for using the purchase method of accounting. The principal activity of Startech is property investment. The transaction was completed on 3rd May, 2006.

The net assets acquired in the transaction were as follows:

	Fair value
	HK$'000
Net assets acquired:	
Investment properties	8,868
Property, plant and equipment	1,045
Bank overdrafts	(29)
Mortgage loans	(5,109)
	4,775
Total consideration, satisfied by	
Cash	3,882
Net cash outflow arising on acquisition:	
Bank overdraft acquired	29

17. DISPOSAL OF SUBSIDIARIES

(a) On 17th July, 2006, the Group entered into a sale and purchase agreement with a third party for the disposal of 55% interest in Mega Victory Limited ("Mega Victory"), a subsidiary of the Company established during the period to hold the entire interests in two subsidiaries of the Company, at a total consideration of HK$128,000,000 which included HK$859,200 for the Sale Shares and HK$127,140,800 for the Sale Loan. The Group no longer has the power to govern the financial and operating policies of Mega Victory. Therefore, Mega Victory ceased to be accounted for as a subsidiary of the Company.

The net assets of Mega Victory at the date of disposal were as follows:

	HK$'000
Net assets disposed of:	
Deposit paid	131,300
Bank balances and cash	1
Amount due to a shareholder	(59,065)
Other payable	(127,141)
Taxation payable	(38)
	(54,943)
Total consideration, satisfied by	
Cash	859
Net cash outflow arising on disposal of subsidiaries:	
Bank balances and cash disposed of	1

(b) On 22nd September, 2006, the Group entered into a sale and purchase agreement with a third party for the disposal of 100% interest in Peking Bay Assets Limited ("Peking Bay"), at a consideration of HK$2,000,000. The net assets of Peking Bay at the date of disposal were as follows:

	HK$'000
Net assets disposed of:	
Available-for-sale investment	5,870
Other receivable	50
	5,920
Total consideration, satisfied by	
Loan receivables	2,000
Net cash inflow/(outflow) arising on disposal of subsidiary:	
Bank balances and cash disposed of	–

18. POST BALANCE SHEET EVENTS

(a) On 18th October, 2006, the Group entered into a sale and purchase agreement with a third party for the acquisition of the entire share capital in Cinergy Holdings Limited ("Cinergy") and the shareholder's loan, at a consideration of 128,402,593 and 71,597,407 Consolidation Shares of the Company respectively. Cinergy is principally engaged in general and life insurance business and related investment linked financial products. The transaction was completed in November 2006.

(b) On 18th October, 2006, the Company entered into a placing agreement with a placing agent on a fully underwritten basis for the placing of 66,000,000 new shares at a price of HK$0.25 per share. The placing was completed in November 2006.

(c) On 20th November, 2006, the Company entered into a placing agreement with a placing agent for the placing of up to a principal amount of HK$300,000,000 of which HK$100,000,000 principal amount of the convertible notes will be placed on a fully underwritten basis; and up to HK$200,000,000 principal amount of the convertible note will be placed on a best effort basis. The initial conversion price is HK$0.25 per share and the maturity is the eighteenth month following the date of issue of the convertible notes. The placing has not been completed at the date of issuance of this interim report.

(d) On 27th November, 2006, the Group entered into a sale and purchase agreement with a third party for the acquisition of a property for a cash consideration of HK$33,766,040. The transaction has not been completed at the date of issuance of this interim report.

As there is no audited financial information of Cinergy up to the date of issuance of this interim report, in the opinion of the directors of the Company, it is impracticable to quantify the amounts recognised at the date of acquisition for each class of assets, liabilities and contingent liabilities of that company acquired subsequent to balance sheet date.

5. OTHER FINANCIAL INFORMATION

On 18 October 2006, Freeman Agency Limited, an indirectly wholly-owned subsidiary of the Company, entered into a sale and purchase agreement with a third party for the acquisition of the entire issued share capital and the shareholder's loan in Cinergy Holdings Limited in consideration of an issue of 200,000,000 new Shares by the Company. Details of this acquisition were set out in the announcement and the circular made by the Company dated 20 October 2006 and 7 November 2006 respectively. Cinergy Holdings Limited is principally engaged in general and life insurance business and related investment linked financial products. This acquisition was completed in November 2006. The aggregate of the remuneration payable to and benefits in kind receivable by the directors of Freeman Agency Limited was not varied in consequence of such acquisition.

6. WORKING CAPITAL

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

7. INDEBTEDNESS

As at the close of business on 28 February 2007, being the latest practicable date for ascertaining certain information relating to this indebtedness statement, the Group had outstanding secured bank borrowings and other borrowings of approximately HK$140,281,000 comprising (i) secured mortgage loan of approximately HK$20,473,000; (ii) secured bank overdraft of approximately HK$128,000; (iii) convertible notes of HK$100,000,000; and (iv) other secured loans of approximately HK$19,680,000 ("Other Loans").

The Group's secured mortgage loan and bank overdraft are secured by the Group's investment properties. The Other Loans are secured by the personal guarantees given by a Director and certain third parties.

The Group has been involved in an arbitration proceeding against the lender of the Other Loans in releasing the obligation of the Group to repay the Other Loans.

Save as aforesaid and apart from intra-group liabilities, the Group did not have any outstanding mortgages, charges, debentures, loan capital, debt securities, loans, bank overdraft or other similar indebtedness, financial lease or hire purchase commitments, liabilities under acceptances or acceptance credits or guarantees or other material contingent liabilities as at 28 February 2007.

8. MATERIAL ADVERSE CHANGES

As at the Latest Practicable Date, the Directors are not aware of any material adverse change in the financial or trading position of the Group since 31 March 2006, the date to which the latest published audited financial statements of the Company were made up.

9. STATEMENT OF UNAUDITED PRO FORMA CONSOLIDATED NET TANGIBLE ASSETS OF THE GROUP

The following is the unaudited pro forma statement of adjusted consolidated net tangible assets of the Group, which has been prepared to illustrate the effect of the Rights Issue on the net tangible assets of the Group as if the Rights Issue had been completed on 30 September 2006. As it is prepared for illustrative purposes only, and because of its nature, it may not give a true picture of the financial position of the Group as at 30 September 2006 or any future date.

The unaudited pro forma statement of adjusted consolidated net tangible assets of the Group is prepared based on the net tangible assets of the Group attributable to the shareholders of the Company as at 30 September 2006 as extracted from the published unaudited interim report of the Group for the six months ended 30 September 2006 and is adjusted for the effect of the Rights Issue.

	Unaudited consolidated net tangible assets of the Group attributable to the Shareholders as at 30 September 2006	**Estimated net proceeds from the Rights Issue**	**Unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to the Shareholders after the Rights Issue**	**Unaudited consolidated net tangible assets per Share as at 30 September 2006**	**Unaudited pro forma adjusted consolidated net tangible assets per Share after the Rights Issue**
	(Note 1)	*(Note 2)*		*(Note 3)*	*(Note 4)*
	HK$'000	*HK$'000*	*HK$'000*	*HK$*	*HK$*
Based on the Subscription Price of HK$0.12 per Rights Share	483,920	182,000	665,920	0.155	0.142

Notes:

1. The unaudited consolidated net tangible assets of the Group attributable to the Shareholders as at 30 September 2006 is arrived at based on the unaudited consolidated net assets of the Group attributable to the Shareholders as at 30 September 2006 of approximately HK$483,920,000 as disclosed in the interim report of the Company.

2. The estimated net proceeds from the Rights Issue is calculated based on 1,563,986,824 Rights Shares to be issued at the Subscription Price of HK$0.12 per Rights Share, after deduction of the estimated related expenses of approximately HK$5.68 million.

3. The number of Shares used for the calculation of unaudited consolidated net tangible assets per Share is 3,127,973,649 as at the Latest Practicable Date. Details of the movement in number of Shares from 30 September 2006 up to the Latest Practicable Date is as follows:

	No. of Shares
At 30 September 2006	1,332,636,202
Exercise of share options	303,000,000
Issue of Shares for acquisition of subsidiaries	200,000,000
Placing of Shares	1,066,000,000
Conversion of convertible notes	226,337,447
At the Latest Practicable Date	3,127,973,649

4. The unaudited pro forma adjusted consolidated net tangible assets per Share after the Rights Issue is calculated based on 4,691,960,473 Shares which represents the existing 3,127,973,649 Shares in issue as at the Latest Practicable Date and 1,563,986,824 Shares expected to be issued following the completion of the Rights Issue.

5. In calculating the unaudited consolidated net tangible assets per Share as stated in above, impact from net proceeds raised from placing of Shares of approximately HK$132,670,000, conversion of convertible notes of the Company of approximately HK$33,800,000, exercise of share options of approximately HK$41,695,000 and consideration in acquisition of subsidiaries by issuing of 200,000,000 Shares from 30 September 2006 up to the Latest Practicable Date were excluded.

10. LETTER ON THE UNAUDITED PRO FORMA CONSOLIDATED NET TANGIBLE ASSETS OF THE GROUP

The following is the text of a report received from the reporting accountants of the Company, W.H. Tang & Partners CPA Limited, in respect of the unaudited pro forma financial information of the Group for the purpose of incorporation in this prospectus.

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W.H. TANG & PARTNERS CPA LIMITED

27 April 2007

The Directors
Freeman Corporation Limited
31st Floor, China United Centre,
28 Marble Road,
North Point, Hong Kong.

Dear Sirs,

We report on the unaudited pro forma statement of adjusted consolidated net tangible assets (the "Pro Forma Financial Information") of Freeman Corporation Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") set out on pages 83 to 84 under the heading of "Statement of Unaudited Pro Forma Consolidated Net Tangible Assets of the Group" in Appendix II of the Company's prospectus dated 27 April 2007 ("Prospectus") in connection with the proposed rights issue (the "Rights Issue") of the Company on the main board of The Stock Exchange of Hong Kong Limited. The Pro Forma Financial Information has been prepared by the directors of the Company (the "Directors") for illustrative purposes only, to provide information about how the Rights Issue might have affected the relevant financial information of the Group as at 30 September 2006. The basis of preparation of the Pro Forma Financial Information is set out on pages 83 to 84 to the Prospectus.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND REPORTING ACCOUNTANTS

It is the responsibility solely of the Directors to prepare the Pro Forma Financial Information in accordance with paragraph 29 of Chapter 4 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants.

It is our responsibility to form an opinion, as required by paragraph 29(7) of Chapter 4 of the Listing Rules, on the Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

BASIS OF OPINION

We conducted our engagement in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 300 "Accountants' Reports on Pro Forma Financial Information in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants. Our work consisted primarily of comparing the unadjusted financial information with source documents, considering the evidence supporting the adjustments and discussing the Pro Forma Financial Information with the Directors. This engagement did not involve independent examination of any of the underlying financial information.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the Pro Forma Financial Information has been properly compiled by the Directors on the basis stated, that such basis is consistent with the accounting policies of the Group and that the adjustments are appropriate for the purpose of the Pro Forma Financial Information as disclosed pursuant to paragraph 29(1) of Chapter 4 of the Listing Rules.

The Pro Forma Financial Information is for illustrative purpose only, based on the judgements and assumptions of the Directors, and, because of its hypothetical nature, does not provide any assurance or indication that any event will take place in future and may not be indicative of the financial position of the Group as at 30 September 2006 or any future date.

OPINION

In our opinion:

(a) the Pro Forma Financial Information has been properly compiled by the Directors on the basis stated;

(b) such basis is consistent with the accounting policies of the Group; and

(c) the adjustments are appropriate for the purposes of the Pro Forma Financial Information as disclosed pursuant to paragraph 29(1) of Chapter 4 of the Listing Rules.

Yours faithfully,

W. H. Tang & Partners CPA Limited
Certified Public Accountants
Hong Kong

TANG Wai Hung
Practising Certificate Number P0352

1. RESPONSIBILITY STATEMENT

The Prospectus includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Group. The Directors collectively and individually accept full responsibility for the accuracy of the information contained in the Prospectus and confirm, having made all reasonable enquires, that to the best of their knowledge and belief there are no other facts the omission of which would make any statement herein misleading.

2. SHARE CAPITAL AND OPTIONS

(a) Share capital

The authorised and issued share capital of the Company as at the Latest Practicable Date were and immediately following completion of the Rights Issue will be as follows:

		HK$
Authorised:		
10,000,000,000	Shares	1,000,000,000.00

		HK$
Issued and fully paid or credited as fully paid:		
3,127,973,649	Shares in issue as at the Latest Practicable Date	312,797,364.90
1,563,986,824	Shares to be issued pursuant to the Rights Issue	156,398,682.40
4,691,960,473	Shares in issue immediately following completion of the Rights Issue	469,196,047.30

Each of the Shares in issue ranks *pari passu* with all other Shares in all respects including as to rights of dividends, voting and return of capital. The Shares to be issued pursuant to the Rights Issue, when fully paid and issued, will rank pari passu in all respects with the then issued Shares including as to the right to receive dividends and distributions which may be declared, made or paid after the issue of the Rights Shares.

Save as disclosed herein, no part of the securities of the Company is listed or dealt in, nor is listing or permission to deal in the securities of the Company being or proposed to be sought, on any other stock exchanges.

(b) Share options

As at the Latest Practicable Date, there are no outstanding warrants, share options or other securities which are convertible into or give rights to subscribe for Shares. Save as disclosed herein, no Share or loan capital of the Company or any of its subsidiaries has been put under option or agreed conditionally or unconditionally to be put under option.

3. DISCLOSURE OF INTERESTS BY DIRECTORS

As at the Latest Practicable Date, the interests and short positions of the directors, the chief executive of the Company or any of their associates had any interests or short positions in any shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be notified to the Company and Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO), or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers of the Listing Rules, to be notified to the Company and the Stock Exchange were as follows:

(i) Long positions in the Shares

Name of Director	Beneficial owner	Interest of controlled corporation	Interest of spouse	Total	Approximate percentage of shareholding
Yang Fan Shing, Andrew	30,000,000 *(Note 1)*	300,000,000 *(Note 2)*	3,000,000 *(Note 3)*	333,000,000	7.10%
Kwok Wai Ming	22,500,000 *(Note 4)*	–	–	22,500,000	0.48%

Notes:

1. These Shares represent the sum of (a) the 20,000,000 Shares currently held by Mr. Yang Fan Shing, Andrew, and (b) the 10,000,000 Rights Shares to be provisionally allotted to him who has undertaken to take up such Rights Shares under the Rights Issue.

2. These Shares represent the sum of (a) the 200,000,000 Shares currently held by Parkson Group Limited in which Mr. Yang Fan Shing, Andrew beneficially owns the entire issued share capital, and (b) the 100,000,000 Rights Shares to be provisionally allotted to Parkson Group Limited which has undertaken to take up such Rights Shares under the Rights Issue.

3. These Shares represent the sum of (a) the 2,000,000 Shares currently held by the wife of Mr. Yang Fan Shing, Andrew, and (b) the 1,000,000 Rights Shares to be provisionally allotted to her who has undertaken to take up such Rights Shares under the Rights Issue.

4. These Shares represent the sum of (a) the 15,000,000 Shares currently held by Ms. Kwok Wai Ming, and (b) the 7,500,000 Rights Shares to be provisionally allotted to her who has undertaken to take up such Rights Shares under the Rights Issue.

(ii) Short positions in the Shares

Name of Director	Capacity	Number of Shares	Approximate percentage of shareholding
Mr. Yang Fan Shing, Andrew	Interest of controlled corporation	200,000,000	4.26%

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

4. INTERESTS OF SUBSTANTIAL SHAREHOLDERS

As at the Latest Practicable Date, so far as is known to any Director or chief executive of the Company, the following persons (other than a Director or chief executive of the Company) had interests or short positions in the shares or underlying shares which would fall to be disclosed to the Company under the provisions Divisions 2 and 3 of Part XV of the SFO, or, who was, directly or indirectly, interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group.

(i) Long positions in the Shares

Name of Shareholders	Capacity	Number of Shares	Approximate percentage of shareholding
Radford Capital Investment Limited	Beneficial owner	197,958,000 *(Note 1)*	4.22%
Liu Lai Shim, Regina	Beneficial owner	3,000,000 *(Note 2)*	0.06%
Liu Lai Shim, Regina	Interest of spouse	330,000,000 *(Note 3)*	7.03%
Parkson Group Limited	Beneficial owner	300,000,000 *(Note 4)*	6.39%
Honeylink Agents Limited	Interest of controlled corporation	1,380,250,824 *(Note 5)*	29.42%
Get Nice Holdings Limited	Interest of controlled corporation	1,380,250,824 *(Note 5)*	29.42%
Get Nice Incorporated	Interest of controlled corporation	1,380,250,824 *(Note 5)*	29.42%
Get Nice Investment Limited	Beneficial owner	1,380,250,824 *(Note 5)*	29.42%

Notes:

1. These Shares represent the sum of (a) the 131,972,000 Shares currently held by Radford Capital Investment Limited, and (b) the 65,986,000 Rights Shares to be provisionally allotted to it who has undertaken to take up such Rights Shares under the Rights Issue.

2. These Shares represent the sum of (a) the 2,000,000 Shares currently held by Ms. Liu Lai Shim, Regina, the wife of Mr.Yang Fan Shing, Andrew, an executive Director and Chairman of the Company, and (b) the 1,000,000 Rights Shares to be provisionally allotted to her who has undertaken to take up such Rights Shares under the Rights Issue.

3. These Shares represent the sum of (a) the 200,000,000 Shares currently held by Parkson Group Limited in which Mr. Yang Fan Shing, Andrew beneficially owns the entire issued share capital, (b) the 100,000,000 Rights Shares to be provisionally allotted to Parkson Group Limited which has undertaken to take up such Rights Shares under the Rights Issue, (c) the 20,000,000 Shares currently held by Mr. Yang Fan Shing, Andrew, and (d) the 10,000,000 Rights Shares to be provisionally allotted to Mr. Yang Fan Shing, Andrew who has undertaken to take up such Rights Shares under the Rights Issue. Ms. Liu Lai Shim, Regina is deemed to have such interest in the above Shares.

4. These Shares represent the sum of (a) the 200,000,000 Shares currently held by Parkson Group Limited in which Mr. Yang Fan Shing, Andrew beneficially owns the entire issued share capital, and (b) the 100,000,000 Rights Shares to be provisionally allotted to Parkson Group Limited which has undertaken to take up such Rights Shares under the Rights Issue.

5. These are the Rights Shares which the Underwriter has underwritten in respect of the Rights Shares (assuming all the Options were exercised and the Placing is competed on or before the Record Date). The Underwriter is wholly-owned by Get Nice Incorporated which in turn is wholly-owned by Get Nice Holdings Limited. Get Nice Holdings Limited is owned as to approximately 26.42% by Honeylink Agents Limited. Mr. Hung Hon Man is the beneficial owner of Honeylink Agents Limited.

(ii) Short positions in the Shares

Name of Shareholder	Capacity	Number of Shares	Approximate percentage of shareholding
Liu Lai Shim, Regina	Interest of Spouse	200,000,000	4.26%
Parkson Group Limited	Beneficial owner	200,000,000	4.26%

Save as disclosed above, as at the Latest Practicable Date, so far as is known to any Director or chief executive of the Company, no person (other than a Director or chief executive of the Company) had interests or short positions in the shares or underlying shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who was, directly or indirectly, interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group or any options in respect of such capital.

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

(i) None of the Directors has, or has had, any direct or indirect interest in any assets which have been acquired, disposed of or leased to or which are proposed to be acquired, disposed of or leased to the Company or any of their respective subsidiaries, respectively, since 31 March 2006, the date to which the latest published audited financial statements of the Group were made up.

(ii) There is no contract or arrangement entered into by any member of the Group, subsisting as at the date hereof in which any of the Directors is materially interested and which is significant in relation to the business of the Group as a whole.

6. SERVICE CONTRACTS

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

7. MATERIAL CONTRACTS

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

(i) a placing agreement dated 13 June 2005 and termination deed dated 6 January 2006 entered into between the Company and Uni-Alpha Securities Limited relating to the placing of convertible notes by the Company in an aggregate principal amount of up to HK$48,000,000 with an initial conversion price of HK$0.60 per share;

(ii) an agreement dated 13 June 2005 and supplemental agreement dated 24 August 2005 and termination deed dated 1 February 2006 entered into between Goodnews Resources Limited and the Company relating to the subscription of 35,000,000 shares in the capital of the Company at a price of HK$0.58 per share;

(iii) a placing agreement dated 13 June 2005 and supplemental agreement dated 17 October 2005 and termination deed dated 6 January 2006 entered into between the Company and Uni-Alpha Securities Limited relating to a placing of 40,000,000 new shares in the capital of the Company at a price of HK$0.54 per share;

(iv) an underwriting agreement dated 13 June 2005 entered into between the Company and Uni-Alpha Securities Limited relating to a placing of 20,000,000 new shares in the capital of the Company at a price of HK$0.54 per share;

(v) an underwritten agreement dated 1 December 2005 entered into between the Company and Chung Nam Securities Limited relating to a placing of 44,000,000 new shares in the capital of the Company at a price of HK$0.67 per share;

(vi) an underwritten agreement dated 30 December 2005 entered into between the Company, Get Nice Investment Limited and Kingston Securities Limited relating to a placing of 250,000,000 new shares in the Company at a price of HK$0.20 per share;

(vii) a placing agreement dated 30 December 2005 entered into between the Company and Get Nice Investment Limited relating to a placing of 750,000,000 new shares in the capital of the Company at a price of HK$0.20 per share;

(viii) a conditional agreement dated 10 April 2006 entered into between Willie International Holdings Limited and Freeman China Limited, a wholly-owned subsidiary of the Company, relating to the sale and purchase of the entire issued share capital of Leapfly Limited at a consideration of HK$7,000,000;

(ix) a conditional agreement dated 21 April 2006 and a supplemental agreement dated 2 May 2006 entered into between the Company, Willie International Holdings Limited, Yearwise Finance Limited and Equity Spin Investments Limited, a wholly-owned subsidiary of the Company, relating to the sale and purchase of a 8% convertible note issued by Hennabun Management International Limited in the outstanding principal amount of HK$131 million due on 20 September 2015 at a consideration of HK$100,000,000;

(x) a sale and purchase agreement dated 8 June 2006 entered into between Heritage International Holdings Limited and the Company relating to the sale and purchase of 53,800,000 shares in the capital of Hennabun Management International Limited at a consideration of HK$11,000,000 which is to be satisfied by the issue of 55,000,000 new shares of the Company;

(xi) a conditional sale and purchase agreement dated 17 July 2006 entered into between Upperskill Limited and Longsun Ltd., a wholly-owned subsidiary of the Company, and the guarantor of Upperskill Limited relating to the sale and purchase of 55% of the entire issued share capital of Mega Victory Limited and the shareholder loan at a total consideration of HK$128,000,000;

(xii) a conditional sale and purchase agreement dated 18 October 2006 entered into between Andregina Limited, Parkson Group Limited, Mr. Yang Fan Shing, Andrew, the Company and Freeman Agency Limited, a wholly-owned subsidiary of the Company, relating to the sale and purchase of the entire issued share capital of Cinergy Holdings Limited and the loans due from Cinergy Holdings Limited to Andregina Holdings Limited and Cepsa Investments Limited at a total consideration of 200,000,000 new shares of the Company;

(xiii) a placing agreement dated 18 October 2006 between the Company and Chung Nam Securities Limited relating to a placing of 66,000,000 new shares in the capital of the Company at a price of HK$0.25 per share;

(xiv) a conditional convertible note placing agreement dated 20 November 2006 entered into between the Company and Taifook Securities Company Limited relating to the placing of a Series of Zero Coupon convertible notes due in the year 2008 in an aggregate principal amount of up to HK$300 million with initial conversion price of HK$0.25 per share proposed to be issued by the Company;

(xv) a conditional placing agreement dated 16 February 2007 entered into between the Company and Kingston Securities Limited relating to a placing of 346,000,000 new shares in the capital of the Company at a price of HK$0.10 per share on an underwritten basis;

(xvi) a conditional placing agreement dated 16 February 2007 entered into between the Company and Kingston Securities Limited relating to a placing of 654,000,000 new shares in the capital of the Company at a price of HK$0.10 per share on a best effort basis; and

(xvii) the Underwriting Agreement.

8. LITIGATION

1. 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 owned subsidiaries of the Company, entered into a co-operation agreement ("Co-operation Agreement") with an authorized 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 28 February 2007. Such loans are the "Other Loans" as referred to in the section headed "Indebtedness" of Appendix II to the Prospectus.

   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 Latest Practicable Date, the arbitration is still in progress and the Directors are of the opinion that the arbitration shall have no material adverse effect to the business and operation of the Group.

2. On 20 December 2006, Hansom Finance Limited, a wholly owned subsidiary of the Company and a money lender issued writs against two borrowers for default on repayment of loans in the principal amount of HK$100 million and HK$105 million respectively. Details of such cases are referred to in the Company's interim report for the six months ended 30 September 2006 and in the section headed "Business Review and Prospects" in the Letter from the Board of this Prospectus. One of such borrowers has repaid an amount of HK$50 million as at the Lastest Practicable Date. The Directors are still considering appropriate action to be taken on these two cases as at the Latest Practicable Date.

Save as disclosed above, as at Latest Practicable Date, neither the Company nor other members of the Group was engaged in any litigation or arbitration of material importance and no litigation or claim of material importance was known to the Directors to be pending or threatened against any member of the Group.

9. EXPENSES

The expenses in connection with the Rights Issue, including financial advisory fees, underwriting commission, printing, registration, translation, legal and accountancy charges are estimated to amount to approximately HK$5.68 million and are payable by the Company.

10. DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES

A copy of the Prospectus having attached thereto the PAL and the EAF and the written consents of W.H. Tang & Partners CPA Limited and Deloitte Touche Tohmatsu have been registered by the Registrar of Companies in Hong Kong pursuant to section 342C of the Companies Ordinance (Chapter 32 of the Laws of Hong Kong).

11. EXPERTS

W.H. Tang & Partners CPA Limited and Deloitte Touche Tohmatsu have given and have not withdrawn their written consents to the issue of the Prospectus with the inclusion of their letters or opinion as set out in the Prospectus and/or reference to their names in the form and context in which they appear.

The qualification of the experts who have given opinion or advice, which have been contained in the Prospectus, are as follows:

Name	Qualification
W.H. Tang & Partners CPA Limited	Certified Public Accountants
Deloitte Touche Tohmatsu	Certified Public Accountants

As at the Latest Practicable Date, W.H. Tang & Partners CPA Limited and Deloitte Touche Tohmatsu were not beneficially interested in the share capital of any member of the Group nor had any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group nor had any interest, either direct or indirect, in any assets which had been, since 31 March 2006, the date to which the latest published audited financial statements of the Company were made up, acquired by or disposed of or leased to or were proposed to be acquired by or disposed of or leased to any member of the Group.

12. BINDING EFFECT

The Prospectus Documents, and all acceptances of any offer or application contained in such documents, are governed by and shall be construed in accordance with the laws of Hong Kong. Where an application is made in pursuance of any such documents, the relevant document(s) shall have the effect of rendering all persons concerned bound by the provisions, other than the penal provisions, of Section 44A and 44B of the Companies Ordinance, so far as applicable.

13. MISCELLANEOUS

In case of inconsistency, the English text of the Prospectus Documents shall prevail over the Chinese text.

14. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection during normal business hours at the head office and principal place of business of the Company in Hong Kong at 31st Floor, China United Centre, 28 Marble Road, North Point, Hong Kong from the date of this Prospectus up to and including 14 May 2007:

(a) the memorandum and articles of association of the Company;

(b) the Underwriting Agreement;

(c) the letters of consent referred to in the paragraph headed "Experts" above;

(d) the report from W.H. Tang & Partners CPA Limited on pro forma financial information, the text of which is set out in Appendix II to this prospectus;

(e) the unaudited interim financial statements of the Company for the six months ended 30 September 2006;

(f) the audited financial statements of the Company for each of the two years ended 31 March 2006;

(g) the auditors' report issued by Deloitte Touche Tohmatsu on the Group's financial statements for the year ended 31 March 2006;

(h) the material contracts referred to in the section headed "Material Contracts" of this Appendix; and

(i) a copy of each circular issued by the Company dated 20 December 2006, 7 November 2006 and 31 August 2006 respectively.