THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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

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

This circular is addressed to the shareholders of the Company for information in connection with the extraordinary general meeting of the Company to be held on 1 February 2008. **This circular is not an offer of, nor is it intended to invite offers for, securities of the Company.**

The Stock Exchange of Hong Kong Limited and Hong Kong Securities Clearing Company Limited take no responsibility for the contents of this circular, 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 this circular.

FREEMAN CORPORATION LIMITED
民豐控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 279)

CAPITAL REORGANISATION
AND
RIGHTS ISSUE ON THE BASIS OF
FIVE RIGHTS SHARES FOR EVERY ADJUSTED SHARE HELD

Financial Adviser

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.

Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders

MENLO CAPITAL

Menlo Capital Limited

It should be noted that the Adjusted Shares will be dealt in on an ex-rights basis from Wednesday, 25 June 2008. Dealings in the Rights Shares in the nil-paid form will take place from Tuesday, 8 July 2008 to Tuesday, 15 July 2008 (both dates inclusive). If the conditions of the Rights Issue are not fulfilled or the Underwriting Agreement is terminated by the Underwriter, the Rights Issue will not proceed. Any dealing in the nil-paid Rights Shares during the period from Tuesday, 8 July 2008 to Tuesday, 15 July 2008 will accordingly bear the risk that the Rights Issue may not become unconditional or may not proceed.

The Underwriter may terminate the arrangements set out in the Underwriting Agreement by notice in writing issued to the Company at any time prior to the second Business Day following the Acceptance Date if there occurs: (i) an introduction of any new law or regulation or any change in existing law or regulation (or the judicial interpretation thereof); or (ii) any local, national or international event or change (whether or not forming part of a series of events or changes occurring or continuing before, and/or after the date hereof) 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 4:00 p.m. on the second Business Day following the Acceptance Date: (i) the Company commits any material breach of or omits to observe any of the obligations, undertakings, representations or warranties expressed to be assumed by it under the Underwriting Agreement which breach or omission will have a material and adverse effect on its business, financial or trading position; or (ii) the Underwriter shall receive notification pursuant to the 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 4:00 p.m. on the second Business Day following the Acceptance Date or does not become unconditional, the Underwriting Agreement will terminate forthwith (save in respect of any rights and obligations which may accrue under the Underwriting Agreement prior to such termination) and neither the Company nor the Underwriter shall have any claim against the other party for costs, damages, compensation or otherwise and the Rights Issue will not proceed.

A letter of advice from Menlo Capital Limited, the independent financial adviser to the Independent Board Committee and the Independent Shareholders is set out on pages 32 to 42 of this circular.

A notice convening a extraordinary general meeting of the Company to be held at 30th Floor, China United Centre, 28 Marble Road, North Point, Hong Kong at 9:00 a.m. on Friday, 1 February 2008 is set out on pages 140 to 142 of this circular. Whether or not you are able to attend the meeting in person, you are requested to complete and return the enclosed form of proxy in accordance with the instructions printed thereon and deposit it to Tricor Secretaries Limited, the Company's branch share registrar in Hong Kong at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong as soon as possible and in any event not later than 48 hours before the time appointed for holding the meeting or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the meeting or any adjournment thereof should you so wish.

9 January 2008

CONTENTS

EXPECTED TIMETABLE

The expected timetable for the Capital Reorganisation and the Rights Issue is set out below:

	2008
Latest time for return of proxy form of EGM (not less than 48 hours)	9:00 a.m., Wednesday, 30 January
Expected date and time of EGM	9:00 a.m., Friday, 1 February
Announcement of results of EGM	Friday, 1 February

The following events are conditional on the results of the EGM and the relevant court hearings. The dates are therefore tentative.

Effective date of the Capital Reorganisation	Tuesday, 10 June
Commencement of dealings in Adjusted Shares	Tuesday, 10 June
Original counter for trading in Shares (in board lots of 4,000 Shares) to be closed	9:30 a.m., Tuesday, 10 June
Temporary counter for trading in Adjusted Shares in board lots of 400 Adjusted Shares (in form of existing share certificates in yellow colour) to be opened	9:30 a.m., Tuesday, 10 June
Free exchange of existing share certificates for new share certificates for the Adjusted Shares commences	Tuesday, 10 June
Designated broker starts to stand in the market to provide matching services for the sale and purchase of odd lots of Adjusted Shares	9:30 a.m., Tuesday, 24 June
Original counter for trading in Adjusted Shares (in board lots of 4,000 Adjusted Shares) to be re-opened	9:30 a.m., Tuesday, 24 June
Parallel trading in Adjusted Shares begins (in form of new certificates in red colour and existing certificates in yellow colour	9:30 a.m., Tuesday, 24 June
Last day of dealings in Adjusted Shares on a cum-rights basis	Tuesday, 24 June
First day of dealings in Adjusted Shares on an ex-rights basis	Wednesday, 25 June

Event	Date
Latest time for lodging transfers of Adjusted Shares in order to qualify for Rights Issue	4:30 p.m., Thursday, 26 June
Register of members to be closed	Friday, 27 June to Wednesday, 2 July (both dates inclusive)
Record Date	Wednesday, 2 July
Register of members to be re-opened	Thursday, 3 July
Prospectus Documents to be posted	Thursday, 3 July
First day of dealings in nil-paid Rights Shares	Tuesday, 8 July
Latest time for splitting of nil-paid Rights Shares	4:30 p.m., Thursday, 10 July
Last day of dealings in nil-paid Rights Shares	Tuesday, 15 July
Temporary counter for trading in Adjusted Shares in board lots of 400 Adjusted Shares (in form of existing share certificates in yellow colour) to be closed	4:00 p.m., Wednesday, 16 July
Parallel trading in Adjusted Shares (in form of new certificate in red colour and existing certificate in yellow colour) ends	4:00 p.m., Wednesday, 16 July
Designated broker ceases to stand in the market to provide matching services for the sale and purchase of odd lots of Adjusted Shares	4:00 p.m., Wednesday, 16 July
Free exchange of existing share certificates for new share certificates in red colour ends	4:00 p.m., Friday, 18 July
Latest time for payment for and acceptance of Rights Shares	4:00 p.m., Friday, 18 July
Rights Issue expected to become unconditional	after 4:00 p.m., Tuesday, 22 July
Announcement of results of acceptance and excess application of the Rights Issue	Thursday, 24 July
Despatch of refund cheques for wholly and partially unsuccessful excess applications	Friday, 25 July

Despatch of certificates for fully-paid Rights Shares	Friday, 25 July
First day of dealings in the fully-paid Rights Shares	Tuesday, 29 July

Dates or deadlines specified above for events in the timetable for (or otherwise in relation to) the Rights Issue and Capital Reorganisation are indicative only and may be extended or varied by the Company. Any change to the anticipated timetable will be published as and when appropriate.

All times and dates in this circular refer to Hong Kong local times and dates.

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

"Acceptance Date"	18 July 2008 (or such other date as the Underwriter may agree in writing with the Company as the latest date for acceptance of, and payment of, Rights Shares)
"Adjustment Proposal"	the proposal to be put forward to Shareholders for (i) the reduction in nominal value of the Shares from HK$0.10 each to HK$0.01 each by cancelling HK$0.09 paid up on each Share and (ii) the application of the credit arising from the reduction to cancel the accumulated deficit of the Company and as described the section headed "Capital Reorganisation" in this circular
"Adjusted Share(s)"	ordinary share(s) of HK$0.10 each in the capital of the Company immediately after the Capital Reorganisation becoming effective
"Announcement"	the announcement of the Company dated 4 December 2007 relating to, inter alia, the Rights Issue and the Capital Reorganisation
"associate(s)"	has the meaning ascribed thereto under the Listing Rules
"Best Effort Placing"	the placing of convertible notes of the Company in the aggregate principal amount of HK$1,250 million by a placing agent on a best effort basis pursuant to the Placing Agreement
"Board"	the board of Directors
"Business Day"	a full day (other than a Saturday and Sunday) on which banks are generally open for business in Hong Kong
"Capital Reorganisation"	the Adjustment Proposal and the Share Consolidation
"CCASS"	the Central Clearing and Settlement System established and operated by HKSCC
"Company"	Freeman Corporation Limited, a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the main board of the Stock Exchange
"Convertible Notes"	the convertible notes issued by the Company pursuant to the Placing Agreement at the conversion price of HK$0.120 per Share (subject to adjustment) with an outstanding principal amount of HK$55 million as at the Latest Practicable Date

"Court"	the Grand Court of the Cayman Islands
"Director(s)"	the director(s) of the Company
"EAF(s)"	the excess application form(s) to be issued in connection with the Rights Issue
"EGM"	the extraordinary general meeting of the Company to be convened at 30th Floor, China United Centre, 28 Marble Road, North Point, Hong Kong at 9:00 a.m. on Friday, 1 February 2008 to approve the Capital Reorganisation and the Rights Issue
"Group"	the Company and its subsidiaries
"HKSCC"	Hong Kong Securities Clearing Company Limited
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Independent Board Committee"	an independent board committee comprising the four independent non-executive Directors, namely Mr. Chiu Siu Po, Ms. Hui Wai Man, Shirley, Mr. Gary Drew Douglas and Mr. Peter Temple Whitelam, which has been established for the purpose of advising the Independent Shareholders regarding the Rights Issue
"Independent Shareholder(s)"	Shareholder(s) other than the Directors (excluding the independent non-executive Directors) and the chief executive of the Company and their respective associates, who are Dr. Yang Fan Shing, Andrew and his associates (including his wife and Parkson Group Limited), Mr. Kwong Wai Tim, William, Ms. Kwok Wai Ming and Ms. Au Shuk Yee and their respective associates
"Issue Mandate"	the general mandate granted to the Directors to allot, issue and deal with the Shares up to a maximum of 20% of the aggregate amount of the share capital of the Company in issue as at the date of the annual general meeting of the Company held on 24 September 2007
"Last Trading Day"	30 November 2007, being the last trading day before the suspension of the trading of the Shares, pending the release of the Announcement
"Latest Practicable Date"	4 January 2008, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contained herein

"Listing Rules"	Rules Governing the Listing of Securities on the Stock Exchange
"Menlo Capital"	Menlo Capital Limited, a licensed corporation to carry out business in type 6 (advising on corporate finance) regulated activities under the SFO, which is not a connected person (as defined in the Listing Rules) of the Company and is appointed as the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the Rights Issue
"Non-Qualifying Shareholder(s)"	Shareholder(s) whose name(s) appear(s) on the register of members of the Company on the Record Date and whose address(es) as shown on the register of members of the Company on the Record Date is (are) outside Hong Kong where the Directors, based on the legal opinions provided by legal advisers, consider it necessary or expedient to exclude any such Shareholder on account either of the legal restrictions under the laws of the place of his registered address or the requirements of the relevant regulatory body or stock exchange in that place
"Option(s)"	the share option(s) granted by the Company to subscribe for an aggregate of 540,000,000 Shares outstanding as at the Latest Practicable Date pursuant to the Share Option Scheme
"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) to be issued in connection with the Rights Issue
"Placing Agreement"	the placing agreement dated 11 July 2007 (as amended by a supplemental agreement dated 20 August 2007) between the Company and a placing agent to place convertible notes in the aggregate amount of HK$1,500 million, comprising the Underwritten Placing and the Best Effort Placing, at the conversion price of HK$0.120 per Share (subject to adjustment)
"PRC"	the People's Republic of China
"Prospectus"	the prospectus to be issued by the Company in relation to the Rights Issue

"Prospectus Documents"	the Prospectus, PAL and EAF
"Qualifying Shareholder(s)"	Shareholder(s), other than the Non-Qualifying Shareholder(s), whose name(s) appear(s) on the register of members of the Company on the Record Date
"Record Date"	2 July 2008, being the date by reference to which entitlements to the Rights Issue are expected to be determined
"Reduced Shares"	ordinary shares of HK$0.01 each in the capital of the Company upon completion of the Adjustment Proposal
"Registrar"	Tricor Secretaries Limited, the Company's branch share registrar in Hong Kong at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong
"Rights Issue"	the issue by way of rights of five Rights Shares for every one Adjusted Share in issue on the Record Date at a price of HK$0.12 per Rights Share
"Rights Shares"	new Adjusted Share(s) to be issued and allotted under the Rights Issue, being not less than 4,072,156,235 Adjusted Shares and not more than 5,223,254,145 Adjusted Shares
"Settlement Date"	the date being the second Business Day following the Acceptance Date
"SFO"	The Securities and Future Ordinance (Chapter 571 of the Laws of Hong Kong)
"Share(s)"	existing share(s) of HK$0.10 each in the share capital of the Company
"Share Consolidation"	the consolidation of every 10 Reduced Shares of HK$0.01 in the capital of the Company into one Adjusted Share
"Shareholder(s)"	holder(s) of Share(s), Reduced Share(s) or Adjusted Share(s) (as the case may be)
"Share Option Scheme"	the share option scheme of the Company adopted on 23 August 2002
"Stock Exchange"	The Stock Exchange of Hong Kong Limited

"Termination Deed"	the termination deed between the Company and Chung Nam Securities Limited dated 3 December 2007 in relation to the termination of the Placing Agreement
"Underwriter"	Get Nice Investment Limited, a corporation deemed licensed under the SFO to carry out types 1, 4, 6 and 9 regulated activities (dealing in securities, advising on securities, corporate finance and asset management), which is not a connected person (as defined in the Listing Rules) of the Company
"Underwriting Agreement"	the underwriting agreement dated 3 December 2007 (as amended by a supplemental agreement dated 4 December 2007) entered into between the Company and the Underwriter in relation to the underwriting and certain other arrangements in respect of the Rights Issue
"Underwritten Placing"	the placing of convertible notes of the Company in the aggregate principal amount of HK$250 million by a placing agent on an underwritten basis pursuant to the Placing Agreement
"HK$"	Hong Kong dollar, the lawful currency of Hong Kong
"%" or "per cent."	Percentage or per centum

FREEMAN CORPORATION LIMITED
民豐控股有限公司

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

Executive Directors:
Dr. Yang Fan Shing, Andrew *(Chairman)*
Mr. 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

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

9 January 2008

To the Shareholders

Dear Sir or Madam,

CAPITAL REORGANISATION AND RIGHTS ISSUE ON THE BASIS OF FIVE RIGHTS SHARES FOR EVERY ADJUSTED SHARE HELD

INTRODUCTION

On 4 December 2007, the Board announced that the Company proposed to (i) effect the Capital Reorganisation which will comprise (a) the reduction in nominal value of the Shares from HK$0.10 each to HK$0.01 each by cancelling HK$0.09 paid up on each Share; (b) the application of the credit arising from the reduction to cancel the accumulated deficit of the Company with the balance to be transferred to the distributable capital reduction reserve account of the Company; and (c) the consolidation of every 10 Reduced Shares of HK$0.01 in the capital of the Company into one Adjusted Share; and (ii) raise approximately HK$488.65 million before expenses (assuming no Options are exercised, no conversion of the Convertible Notes and the Issue Mandate is not utilised on or before the Record Date) to approximately HK$626.79 million before expenses (assuming all of the Options are exercised, full conversion of the Convertible Notes and full utilization of the Issue Mandate on or before the Record Date) by way of the Rights Issue of issuing not less than 4,072,156,235 Rights Shares and not more than 5,223,254,145 Rights Shares at a price of HK$0.12 per Rights Share payable in full on acceptance.

Pursuant to the requirements of Rule 7.19(6) of the Listing Rules, the Rights Issue must be made conditional on approval by Shareholders in general meeting by a resolution on which any controlling Shareholders and their associates or, where there are no controlling shareholders, directors (excluding independent non-executive Directors) and the chief executive of the Company and their respective associates shall abstain from voting in favour of such resolution. As at the Latest Practicable Date, out of the four executive Directors, only Dr. Yang Fan Shing, Andrew and Ms. Kwok Wai Ming held Shares as referred to in Note 1 of the section headed “Shareholding of the Company” of this circular. The Directors, Dr. Yang Fan Shing, Andrew and his associates (including, his wife and Parkson Group Limited), Ms. Kwok Wai Ming, Ms. Au Shuk Yee, Sue, Mr. Kwong Wai Tim, William and their respective associates to the extent they hold any Shares, are required to abstain from voting in favour of the Rights Issue at the EGM. Pursuant to Rule 13.39(4) of the Listing Rules, the vote of the Independent Shareholders at the EGM to approve the Rights Issue must be taken on a poll.

Upon the approval of the Rights Issue by the Independent Shareholders at the EGM and the Capital Reorganisation becoming effective, the Prospectus Documents setting out details of the Rights Issue will be despatched to the Qualifying Shareholders as soon as practicable and the Prospectus will be despatched to the Non-Qualifying Shareholders for information only.

The Independent Board Committee has been formed to advise the Independent Shareholders in respect of the Rights Issue and Menlo Capital has been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

The purpose of this circular is to provide you, among others, (i) further details about the Capital Reorganisation and the Rights Issue; (ii) the advice of Menlo Capital to the Independent Board Committee and the Independent Shareholders in relation to the Rights Issue; (iii) the recommendation of the Independent Board Committee to the Independent Shareholders in relation to the Rights Issue; and (iv) a notice of the EGM at which resolutions will be proposed to consider and, if though fit, to approve the Capital Reorganisation and the Rights Issue.

CAPITAL REORGANISATION

The Company proposed that:

(i) the nominal value of all the issued Shares be reduced from HK$0.10 each to HK$0.01 each by cancelling HK$0.09 paid up on each issued Shares by way of a reduction of capital;

(ii) part of the credit arising from such reduction will be applied towards canceling the accumulated deficit of the Company with the balance to be transferred to the distributable capital reduction reserve account of the Company; and

(iii) every 10 Reduced Shares of HK$0.01 each be consolidated into 1 Adjusted Share of HK$0.10 each.

Effects of the Capital Reorganisation

Assuming that no further Shares are issued prior to the EGM, the issued share capital of the Company will be reduced from HK$814,431,247.30 to HK$81,443,124.73 by cancelling HK$0.09 paid up on each issued Share. A credit of approximately HK$732,988,122.57 will arise as a result of the Adjustment Proposal. The credit will be used to cancel the accumulated deficit of the Company with the balance to be transferred to the distributable capital reduction reserve account of the Company. The accumulated losses of the Company was approximately HK$417.9 million as shown in the audited financial statements of the Company for the year ended 31 March 2007.

The existing authorised share capital is HK$5,000,000,000 divided into 50,000,000,000 Shares. The existing issued share capital is HK$814,431,247.3 divided into 8,144,312,473 Shares. Subject to the approval by the Shareholders of the Adjustment Proposal, the authorised share capital of the Company upon the Capital Reorganisation becoming effective will be HK$5,000,000,000 comprising 50,000,000,000 Adjusted Shares, of which 814,431,247 Adjusted Shares will be in issue (not taking into account the Shares that may be issued pursuant to the exercise of the options granted under the Share Option Scheme, the Convertible Notes and the Issue Mandate.) Fractional Adjusted Shares will not be issued to the Shareholders but will be aggregated and, if possible, sold for the benefit of the Company.

Other than the relevant expenses incurred, the implementation of the Capital Reorganisation will have no effect on the consolidated net asset value of the Group, nor will they alter the underlying assets, business, operations, management or financial position of the Company or the interests of the Shareholders, save that any fractional Adjusted Shares (if any), will not be issued to the Shareholders. The Directors believe that the Capital Reorganisation will not have any material adverse effect on the financial position of the Group.

The Adjusted Shares will rank pari passu in all respects with each other and the Capital Reorganisation will not result in any change in the relative rights of the Shareholders.

Reasons for the Capital Reorganisation

The Adjustment Proposal will bring forward the time the Company would be in a position to declare and pay dividends.

Since 15 November 2007, the Shares have been trading at prices below their nominal value of HK$0.10 each. The proposed Capital Reorganisation will reduce the total number of Shares currently in issue and is also required for the compliance with Rule 13.64 of the Listing Rules. As such, it is expected to bring about a corresponding upward adjustment in the trading price of the Adjusted Shares on the Stock Exchange, which will reduce the overall transaction costs for dealings in the Adjusted Shares. Accordingly, the Board is of the view that the Capital Reorganisation is beneficial to the Company and the Shareholders as a whole.

Conditions of the Capital Reorganisation

The Capital Reorganisation (which will be effected in accordance with the Articles of Association of the Company and the Companies Law of the Cayman Islands) is conditional upon:

(i) the passing of a special resolution to approve the Capital Reorganisation by Shareholders at the EGM;

(ii) approval of the Adjustment Proposal to the extent required by the Court;

(iii) compliance with any conditions imposed by the Court; and

(iv) the Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, the Adjusted Shares in issue upon the Capital Reorganisation becoming effective.

Application will be made by the Company to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Adjusted Shares.

Expected effective date of the Capital Reorganisation

Subject to the above conditions being fulfilled and based on the expected timetable set out on pages 1 to 3 of this circular, the Capital Reorganisation is expected to become effective on 10 June 2008.

Free exchange of certificates for Adjusted Shares and trading arrangement

The Shares are currently traded in board lots of 4,000 Shares each and the market value per board lot of the Shares is HK$280, based on the closing price of HK$0.07 per Share as quoted on the Stock Exchange on the Last Trading Day. Assuming the Capital Reorganization becomes effective, the Adjusted Shares will be traded in board lots of 4,000 Adjusted Shares and the estimated market value per board lot of the Adjusted Shares will be HK$2,800, based on the closing price of HK$0.7 per Adjusted Share (based on the closing price of HK$0.07 per Share as quoted on the Stock Exchange on the Last Trading Day and adjusted for the effect of the Capital Reorganisation).

Subject to the Capital Reorganization, the Shareholders may, during a period to be specified in the section headed "Expected timetable" set out on pages 1 to 3 of this circular, submit certificates for the Shares to the Company's share registrar for exchange, at the expense of the Company, for certificates for the Adjusted Shares. Thereafter, certificates for the Shares will be accepted for exchange only on payment of a fee of HK$2.50 (or such other amount as may from time to time to allowed by the Stock Exchange) for each certificate issued or cancelled, whichever is higher. Certificates for the Shares will continue to be good evidence of legal title and may be exchanged for certificates for Adjusted Shares at any time at the expense of the Shareholders.

In order to alleviate the difficulties arising from the existence of odd lots of Adjusted Shares, the Company has appointed Get Nice Investment Limited to stand in the market to provide matching services for the odd lots of Adjusted Shares on the best effort basis for the period from Tuesday, 24 June 2008 to Wednesday, 16 July 2008 (both dates inclusive). Holders of odd lots of the Adjusted Shares who wish to take advantage of this facility either to dispose of their odd lots of the Adjusted Shares or to top up to board lot of 4,000 Adjusted Shares may contact Mr. Lau Shek Ki of Get Nice Investment Limited at telephone number 2526 7738 during this period. Shareholders should note the above matching services is on a best effort basis only and successful matching of the sale and purchase of odd lots of Adjusted Shares is not guaranteed. Shareholders who are in any doubt about such matching services are recommended to consult their own professional advisers.

RIGHTS ISSUE

The Rights Issue is proposed to take place after the Capital Reorganisation becoming effective.

Issue statistics

Basis of the Rights Issue	:	five Rights Shares for every Adjusted Share held on the Record Date
Number of Shares in issue	:	8,144,312,473 Shares as at the Latest Practicable Date

Number of Adjusted Shares in issue upon the Capital Reorganisation becoming effective	:	814,431,247 Adjusted Shares (assuming no Options are exercised, no conversion of the outstanding Convertible Notes and the Issue Mandate is not utilised on or before the Record Date) or 1,044,650,829 Adjusted Shares (assuming all of the Options are exercised, full conversion of the outstanding Convertible Notes and full utilization of the Issue Mandate on or before the Record Date) *(Note)*
Number of Rights Shares	:	not less than 4,072,156,235 Rights Shares (assuming no Options are exercised, no conversion of the outstanding Convertible Notes and the Issue Mandate is not utilised on or before the Record Date) and not more than 5,223,254,145 Rights Shares (assuming all of the Options are exercised, full conversion of the outstanding Convertible Notes and full utilization of the Issue Mandate on or before the Record Date) *(Note)*
Subscription price per Rights Share	:	HK$0.12 per Rights Share with nominal value of HK$0.10 each

The nil-paid Rights Shares proposed to be provisionally allotted pursuant to the terms of the Rights Issue represent 500% of the Company's issued share capital as at the Latest Practicable Date and approximately 83.33% of the Company's enlarged issued share capital of the Company immediately following the completion of the Rights Shares, assuming no Options are exercised, no conversion of the Convertible Notes and the Issue Mandate is not utilised on or before the completion of the Rights Issue.

Note:

As at the Latest Practicable Date, (i) there are Options to subscribe for an aggregate of 540,000,000 Shares outstanding; (ii) there are outstanding Convertible Notes with principal amount of HK$55 million which are convertible into 458,333,333 Shares in aggregate at a conversion price of HK$0.120 per Share (subject to adjustment); and (iii) the Issue Mandate, which authorises the Directors to issue and allot up to 1,303,862,494 Shares, has not been utilised. Assuming all of the Options are exercised, full conversion of the outstanding Convertible Notes and full utilisation of the Issue Mandate on or before the Record Date, a total of 2,302,195,827 new Shares (equivalent to 230,219,582 Adjusted Shares) may fall to be issued and hence an additional 1,151,097,910 Rights Shares would be issued, in which the maximum number of Rights Shares that may be issued by the Company will become 5,223,254,145.

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

Qualifying Shareholders

The Company will send the Prospectus Documents to Qualifying Shareholders only.

To qualify for the Rights Issue, a Shareholder must on the Record Date:

(i) be registered as a member of the Company; and

(ii) 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 Adjusted Shares must lodge any transfers of Adjusted Shares (together with the relevant share certificates) with the Company's branch share registrar in Hong Kong, Tricor Secretaries Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong for registration no later than 4:30 p.m. on 26 June 2008.

Closure of Register of members

The register of members of the Company will be closed from 27 June 2008, to 2 July 2008, both dates inclusive. No transfers of the Adjusted Shares will be registered during this period.

TERMS OF THE RIGHTS ISSUE

Subscription price

The subscription price for the Rights Shares is HK$0.12 per Rights Share, payable in full upon acceptance of the relevant provisional allotment of Rights Shares and, where applicable, application for excess Rights Shares under the Rights Issue or when a transferee of nil-paid Rights Shares applies for the Rights Shares.

The subscription price represents:

(i) a discount of about 82.86% to the adjusted closing price of HK$0.7 per Adjusted Share (based on the closing price of HK$0.07 per Share as quoted on the Stock Exchange on the Last Trading Day and adjusted for the effect of the Capital Reorganisation);

(ii) a discount of about 44.62% to the theoretical ex-rights price of approximately HK$0.2167 per Adjusted Share (based on the closing price of HK$0.07 per Share as quoted on the Stock Exchange on the Last Trading Day and adjusted for the effect of the Capital Reorganisation);

(iii) a discount of about 83.61% to the average adjusted closing price of approximately HK$0.732 per Adjusted Share (based on the average closing price of HK$0.0732 per Share for the five trading days ended on the Last Trading Day and adjusted for the effect of the Capital Reorganisation); and

(iv) a discount of 80.00% to the closing price of HK$0.6 per Adjusted Share (based on the closing price of HK$0.06 per Share as quoted on the Stock Exchange on the Latest Practicable Date and adjusted for the effect of the Capital Reorganisation).

The subscription price for the Rights Shares was determined after arm's length negotiations between the Company and the Underwriter with reference to the market price of the Share prior to the Last Trading Day. The Directors consider the terms of the Rights Issue, including the subscription price, to be fair and reasonable and in the best interests of the Company and the Shareholders as a whole.

Basis of provisional allotments

The basis of the provisional allotment shall be five Rights Shares for every Adjusted Share, being not less than 4,072,156,235 Rights Shares and not more than 5,223,254,145 Rights Shares at a price of HK$0.12 per Rights Share. Application for all or any part of a Qualifying Shareholder's provisional allotment should be made by completing the PAL and lodging the same with a remittance for the Rights Shares being applied for.

Status of the Rights Shares

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

Rights of Overseas Shareholders

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

The Company is currently making enquiries regarding the feasibility of extending the Rights Issue to the Overseas Shareholders. If, based on legal opinions, the Directors consider that it is necessary or expedient not to offer the Rights Shares to the Overseas Shareholders on account either of the legal restrictions under the laws of the relevant place or the requirements of the relevant regulatory body or stock exchange in that place, the Rights Issue will not be available to such Overseas Shareholders. Further information in this connection will be set out in the Prospectus Documents containing, among other things, details of the Rights Issue, to be despatched to the Qualifying Shareholders as soon as practicable. The Company will send copies of the Prospectus to the Non-Qualifying Shareholders for their information only, but will not send any PAL and EAF to them.

The Company will make arrangements for the Rights Shares, which would otherwise have been provisionally allotted to any Non-Qualifying 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 Shares 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 Non-Qualifying 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. Any unsold entitlement of Non-Qualifying Shareholders will be made available for excess application on EAFs by Qualifying Shareholders.

Fractions of Rights Shares

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

Application for excess Rights Shares

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

Applications for excess Rights Shares may be made by completing the 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 on the following principles:

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

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

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

Investors whose Adjusted Shares are held by their nominee(s) and who would like to have their names registered on the register of members of the Company, must lodge all necessary document with the Registrar for completion of the relevant registration by 4:30 p.m. on Thursday, 26 June 2008.

Share certificates and refund cheques for Rights Issue

Subject to the fulfillment of the conditions of the Rights Issue, certificates for all fully-paid Rights Shares are expected to be posted to those entitled thereto by ordinary post at their own risk on or before 25 July 2008. Refund cheques in respect of wholly or partially unsuccessful applications for excess Rights Shares (if any) are expected to be posted on or before 25 July 2008 by ordinary post to the applicants at their own risk.

The first day of dealings in the Rights Shares in their fully-paid form is expected to commence on Tuesday, 29 July 2008.

Application for listing

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

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

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

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

Taxation

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

Conditions of the Rights Issue

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

1. the approval of the Capital Reorganisation and the Rights Issue by Shareholders at the EGM;

2. the Capital Reorganisation becoming effective;

3. the Listing Committee of the Stock Exchange agreeing to grant the listing of, and permission to deal in, the Rights Shares in their nil-paid and fully-paid forms, either unconditionally or subject to such conditions which the Company accepts and the satisfaction of such conditions (if any) by no later than the date of posting of the Prospectus Documents and not having withdrawn or revoked such listings and permission on or before 4:00 p.m. on the second Business Day after the Acceptance Date;

4. the delivery to the Stock Exchange and filing and registration of all documents relating to the Rights Issue required by law to be filed, with the Registrar of Companies in Hong Kong; and

5. the compliance by the Company with all its obligations under the Underwriting Agreement and the obligations of the Underwriter under the Underwriting Agreement becoming unconditional and the Underwriting Agreement not being terminated in accordance with its terms.

In the event that the conditions of the Rights Issue are not fulfilled on or before the respective dates determined in the Underwriting Agreement (or such later date as the Company and the Underwriter may agree), none of the Underwriter or the Company shall have any rights or be subject to any obligations arising from the Underwriting Agreement. The Rights Issue will not proceed accordingly.

Underwriting arrangements

Underwriting agreement dated 3 December 2007 (as amended by a supplemental agreement dated 4 December 2007)

The Underwriter has agreed to fully underwrite not less than 4,072,156,235 Rights Shares and not more than 5,223,254,145 Rights Shares. To the best of Directors' knowledge, information and belief, having made all reasonable enquiry, the Underwriter and its ultimate beneficial owners are third parties independent of the Company and its connected persons (as defined in the Listing Rules).

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.

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 second Business Day following the Acceptance Date if there occurs:–

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

(ii) any local, national or international event or change (whether or not forming part of a series of events or changes occurring or continuing before, and/or after the date hereof) 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 4:00 p.m. on the second Business Day following the Acceptance Date:

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

(ii) the Underwriter shall receive notification pursuant to the 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 4:00 p.m. on the second Business Day following the Acceptance Date or does not become unconditional, the Underwriting Agreement will terminate forthwith (save in respect of any rights and obligations which may accrue under the Underwriting Agreement prior to such termination) and neither the Company nor the Underwriter shall have any claim against the other party for costs, damages, compensation or otherwise and the Rights Issue will not proceed.

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

The Adjusted Shares will be dealt in on an ex-rights basis from 25 June 2008. Dealings in the Rights Shares in the nil-paid form will take place from 8 July 2008 to 15 July 2008 (both dates inclusive). If the conditions of the Rights Issue are not fulfilled or the Underwriting Agreement is terminated by the Underwriter, the Rights Issue will not proceed.

Any Shareholders or other persons contemplating selling or purchasing Rights Shares in their nil-paid form during the period from 8 July 2008 to 15 July 2008 (both dates inclusive) who are in any doubt about their position are recommended to consult their professional advisers. Any Shareholders or other persons dealing in the Shares or the Adjusted Shares up to the date on which all the conditions to which the Rights Issue is subject are fulfilled (and the date on which the Underwriter's right of termination of the Underwriting Agreement ceases) and any persons dealing in the nil-paid Rights Shares during the period from 8 July 2008 to 15 July 2008 (both dates inclusive) will accordingly bear the risk that the Rights Issue may not become unconditional or may not proceed.

FUND RAISING ACTIVITIES IN THE PAST TWELVE MONTHS

Save for disclosed below, the Company has not conducted any fund raising activities in the past twelve months before the date of Announcement:

Date of agreement	Transaction	Net proceeds raised/to be raised	Intended use of proceeds	Actual use of proceeds
20 November 2006	placing of convertible notes with a principal amount of up to HK$300 million *(Note1)*	HK$52.2 million *(Note1)*	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 placed into the general working capital pool of the Company and such amount is intended for the purposes of its business as described in the intended use of proceeds for this placing
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 placed into the general working capital pool of the Company and such amount is intended for the Group's business as described in the intended use of proceeds for this placing

Date of agreement	Transaction	Net proceeds raised/to be raised	Intended use of proceeds	Actual use of proceeds
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	HK$10 million has been injected into the wholly-owned subsidiary which was established for conducting long term life insurance business in Hong Kong and the remaining balance of HK$54.3 million placed into the general working capital pool of the Company and such amount is intended for the purposes of its business as described in the intended use of proceeds for this placing

Date of agreement	Transaction	Net proceeds raised/to be raised	Intended use of proceeds	Actual use of proceeds
23 March 2007	rights issue of not less than 1,236,986,824 rights shares and not more than 1,564,736,824 rights shares on the basis of one rights share for every two existing Shares	HK$182.0 million	To be used for the possible acquisition of companies engaging in the insurance business and the development of insurance and financial services business, and 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	HK$182.0 million placed into the general working capital pool of the Company which includes the securities held for trading and short term loans lent under the Company's provision of finance business. Such amount may also be applied to the expansion of the Company's businesses and investments as intended, if necessary
21 May 2007	placing of 494,000,000 new Shares under the placing agreement dated 21 May 2007	HK$62.18 million	To be used as part of the HK$300 million funding expected to be capitalized for the Group's financial services businesses including the insurance agency, life insurance, corporate finance advisory, proprietary trading, underwriting and financial related business	HK$62.18 million placed into the general working capital pool of the Company and such amount is intended for the Group's business as described in the intended use of proceeds for this placing

Date of agreement	Transaction	Net proceeds raised/to be raised	Intended use of proceeds	Actual use of proceeds
29 June 2007	placing of 1,086,552,000 new shares under placing agreement dated 29 June 2007	HK$193.0 million	To be used as the funding for the Group's financial services businesses including the insurance agency and life insurance businesses	HK$193.0 million placed into the general working capital pool of the Company and such amount is intended for the Group's business as described in the intended use of proceeds for this placing
11 July 2007 (as amended by a supplemental agreement dated 20 August 2007)	The Underwritten Placing and the Best Effort Placing *(Note 2)*	HK$242.5 million *(Note 2)*	To be used wholly for the expansion of Group's current business including the insurance business and related financial service business	Approximately HK$50 million applied for the acquisition of a property currently occupied by the Group for its insurance business operation. The remaining HK$192.5 million placed into the general working capital pool of the Company and such amount is intended for the Group's business as described in the intended use of proceeds for this placing

Notes:

1. 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 basis did not proceed 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 in the principal amount of HK$45 million; and (ii) converted into the Shares in the principal amount of HK$55 million by certain holders of the convertible notes.

2. As announced by the Company on 11 July 2007, the aggregate net proceeds from the Underwritten Placing and the Best Effort Placing was approximately HK$1,460 million. Pursuant to the completion of the Underwritten Placing on 12 October 2007, a net proceed of approximately HK$242.5 million was received by the Company. The Placing Agreement was terminated on 3 December 2007 pursuant to the Termination Deed. Details can be referred to the section headed "Termination of the Placing Agreement" of the Announcement.

REASONS FOR THE RIGHTS ISSUE AND USE OF THE PROCEEDS

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

As disclosed in the Announcement, the Placing Agreement was terminated on 3 December 2007 pursuant to the Termination Deed. Under the Placing Agreement, the placing of the convertible notes in an aggregate principal amount of up to HK$1,250 million on a best effort basis has not yet been effected on 3 December 2007.

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 expenses in connection with the Rights Issue, including underwriting commission, financial advisory fees, printing, registration, translation, legal and accountancy charges are estimated to approximately HK$14.35 million to HK$17.79 million and are payable by the Company. The Company intends to use the entire net proceeds for the Rights Issue, being estimated at approximately HK$474.3 million (assuming no Options are exercised, no conversion of the Convertible Notes and nil utilization of the Issue Mandate on or before the Record Date) or approximately HK$609.0 million (assuming all of the Options are exercised, full conversion of the Convertible Notes and full utilization of the Issue Mandate on or before the Record Date) as the funding for the expansion of the Group's current businesses including the insurance business and related financial services business.

As at the Latest Practicable Date, save for the application for the long term life insurance business, no specific project has been identified by the Company.

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.

SHAREHOLDING OF THE COMPANY

Set out below is the shareholding structure of the Company assuming that (i) there is no change in the shareholding structure of the Company from the Latest Practicable Date to immediately before completion of the Rights Issue save pursuant to the exercise of Options, exercise of the conversion rights attaching to the Convertible Notes, utilization of the Issue Mandate and the transactions contemplated under the Underwriting Agreement; and (ii) no Rights Shares are taken up by the Qualifying Shareholders and the Underwriter takes up the Rights Shares to the maximum extent:

Scenario 1:

Assuming there is no Options exercised, no conversion of the Convertible Notes and the Issue Mandate is not utilized on or before the Record Date.

Shareholders	As at the Latest Practicable Date		Immediately after the Capital Reorganisation but before completion of the Rights Issue		Immediately after completion of the Rights Issue	
	Number of Shares	*%*	*Number of Adjusted Shares*	*%*	*Number of Adjusted Shares*	*%*
Directors and their associates *(Note 1)*	70,900,000	0.87	7,090,000	0.87	7,090,000	0.15
Parkson Group Limited *(Note 2)*	396,000,000	4.86	39,600,000	4.86	39,600,000	0.81
Willie International Holdings Limited *(Note 3)*	520,618,000	6.39	52,061,800	6.39	52,061,800	1.07
Heritage International Holdings Limited *(Note 4)*	408,700,000	5.02	40,870,000	5.02	40,870,000	0.84
Holders of Convertible Notes	–	0.00	–	0.00	–	0.00
Holders of Options	–	0.00	–	0.00	–	0.00
Shares to be issued and allotted pursuant to unutilised Issue Mandate	–	0.00	–	0.00	–	0.00
The Underwriter	–	0.00	–	0.00	4,072,156,235	83.33
Public	6,748,094,473	82.86	674,809,447	82.86	674,809,447	13.80
Total	**8,144,312,473**	**100.00**	**814,431,247**	**100.00**	**4,886,587,482**	**100.00**

Scenario 2:

Assuming all of the Options are exercised, full conversion of the Convertible Notes and full utilization of the Issue Mandate on or before the Record Date.

Shareholders	As at the Latest Practicable Date		Immediately after the Capital Reorganisation but before completion of the Rights Issue		Immediately after completion of the Rights Issue	
	Number of Shares	*%*	*Number of Adjusted Shares*	*%*	*Number of Adjusted Shares*	*%*
Directors and their associates *(Note 1)*	70,900,000	0.87	7,090,000	0.68	7,090,000	0.11
Parkson Group Limited *(Note 2)*	396,000,000	4.86	39,600,000	3.79	39,600,000	0.63
Willie International Holdings Limited *(Note 3)*	520,618,000	6.39	52,061,800	4.98	52,061,800	0.83
Heritage International Holdings Limited *(Note 4)*	408,700,000	5.02	40,870,000	3.91	40,870,000	0.65
Holders of Convertible Notes	–	0.00	45,833,333	4.39	45,833,333	0.73
Holders of Options	–	0.00	54,000,000	5.17	54,000,000	0.86
Shares to be issued and allotted pursuant to unutilised Issue Mandate	–	0.00	130,386,249	12.48	130,386,249	2.08
The Underwriter	–	0.00	–	0.00	5,223,254,145	83.34
Public	6,748,094,473	82.86	674,809,447	64.60%	674,809,447	10.77
Total	**8,144,312,473**	**100.00**	**1,044,650,829**	**100.00**	**6,267,904,974**	**100.00**

Notes:

1. Dr. Yang Fan Shing, Andrew, being a Director, and his wife Ms. Liu Lai Shim, Regina have personal interests in 30,000,000 Shares and 2,000,000 Shares respectively; Ms. Kwok Wai Ming, being another Director, has a personal interest in 38,900,000 Shares.

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

3. The shares of Willie International Holdings Limited (stock code: 273) are listed on the main board of the Stock Exchange.

4. The shares of Heritage International Holdings Limited (stock code: 412) are listed on the main board of the Stock Exchange.

The Underwriter has sub-underwritten its underwriting obligations under the Rights Issue to sub-underwriters such that each of the Underwriter and the sub-underwriters (together with their respective parties acting in concert as defined in the Hong Kong Code on Takeovers and Mergers) will not own 30% or more of the issued share capital of the Company after completion of the Rights Issue. Each of the Underwriter and the sub-underwriters (and their respective ultimate beneficial owners) is not a party acting in concert with each other or with any Shareholders. Each of the Underwriter and the sub-underwriters and their respective ultimate beneficial owners do not have any shareholding in the Company and are not connected persons (as defined in the Listing Rules) of the Company.

As stipulated in the Underwriting Agreement, in the event that the Underwriter or any of the sub-underwriters mentioned above is required to take up the Rights Shares pursuant to their underwriting/sub-underwriting obligations, (i) the Underwriter will not and shall procure that the sub-underwriters will not own 10% or more of the issued share capital of the Company immediately after the Rights Issue; and (ii) the Underwriter shall and shall cause the sub-underwriters to procure independent placees to take up such number of Rights Shares as necessary to ensure that the public float requirements under Rule 8.08 of the Listing Rules are complied with.

ADJUSTMENTS IN RELATION TO THE OPTIONS AND THE CONVERTIBLE NOTES

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

EGM

The notice convening the EGM is set out on pages 140 to 142 of this circular. The EGM will be convened at 30th Floor, China United Centre, 28 Marble Road, North Point, Hong Kong at 9:00 a.m. on Friday, 1 February 2008 for the purpose of, considering and, if thought fit, to approve the Capital Reorganisation and the Rights Issue.

A form of proxy for use at the EGM is enclosed. Whether or not you are able to attend the meeting in person, please complete the accompanying form of proxy in accordance with the instructions printed thereon and return the same to Tricor Secretaries Limited, the Company's branch share registrar in Hong Kong, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for the holding of the EGM. Completion and return of a form of proxy will not preclude you from attending and voting in person at the meeting or any adjournment thereof should you so wish.

PROCEDURES FOR DEMANDING A POLL BY SHAREHOLDERS

Pursuant to Article 76 of the Articles of Association of the Company, at any general meeting a resolution put to the vote of the meeting shall be decided on a show of hands unless (before or on the declaration of the result of the show of hands) a poll is duly demanded:–

(a) by the chairman of such meeting; or

(b) by at least three members present in person (or in the case of a member being a corporation by its duly authorized representative) or by proxy and entitled to vote at the meeting; or

(c) by a member or members present in person (or in the case of a member being a corporation by its duly authorized representative) or by proxy and representing not less than one-tenth of the total voting rights of all members having the right to vote at the meeting; or

(d) by a member or members present in person (or in the case of a member being a corporation by its duly authorized representative) or by proxy and holding shares in the Company conferring a right to vote at the meeting being shares on which an aggregate sum has been paid up equal to not less than one-tenth of the total sum paid up on all shares conferring that right.

RECOMMENDATION

In relation to the Rights Issue, your attention is drawn to the letter from the Independent Board Committee on page 31 and the letter from Menlo Capital set out on pages 32 to 42 of this circular. The Directors believe that the proposed resolutions in relation to the Capital Reorganisation and the Rights Issue are in the interest of the Shareholders as a whole and, accordingly, the Directors recommend the Shareholders to vote in favour of the aforesaid resolutions to be proposed at the EGM.

GENERAL INFORMATION

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

Yours faithfully,
For and on behalf of
Freeman Corporation Limited
Kwong Wai Tim, William
Managing Director

The following is the text of the letter of recommendation, prepared for the purpose of incorporation in this circular, from the Independent Board Committee to the Independent Shareholders regarding the Rights Issue:

FREEMAN CORPORATION LIMITED
民豐控股有限公司

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

9 January 2008

To the Independent Shareholders

Dear Sir or Madam,

PROPOSED RIGHTS ISSUE ON THE BASIS OF FIVE RIGHTS SHARES FOR EVERY ADJUSTED SHARE HELD

We refer to the circular of the Company dated 9 January 2008 (the "Circular") of which this letter forms part. Unless the context specifies otherwise, capitalized terms used herein have the same meanings as defined in the Circular.

We have been appointed by the Board to advise the Independent Shareholders as to whether the terms of the Rights Issue is fair and reasonable insofar as the Independent Shareholders are concerned. Menlo Capital has been appointed as the independent financial adviser to advise you and us in this respect.

Having taken into account the principal reasons and factors considered by, and the advice of, Menlo Capital as set out in its letter of advice to you and us on pages 32 to 42 of the Circular, we are of the opinion that the Rights Issue is in the interests of the Company and the Independent Shareholders as a whole and the terms of which are fair and reasonable insofar as the Company and the Independent Shareholders are concerned. Accordingly, we recommend the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the EGM to approve the Rights Issue.

Yours faithfully,
For and on behalf of
Independent Board Committee
Chiu Siu Po, Hui Wai Man, Shirley, Gary Drew Douglas, Peter Temple Whitelam
Independent non-executive Directors

The following is the text of a letter from Menlo Capital Limited in connection with the proposed Rights Issue which has been prepared for the purpose of inclusion in this circular:

Menlo Capital Limited
Room 06, 1st Floor, Beautiful Group Tower
77 Connaught Road Central
Hong Kong

9 January 2008

To the Independent Board Committee and
the Independent Shareholders of
Freeman Corporation Limited

Dear Sirs,

PROPOSED RIGHTS ISSUE ON THE BASIS OF FIVE RIGHTS SHARES FOR EVERY ADJUSTED SHARE HELD

We refer to our appointment as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders whether the Rights Issue is in the interests of the Company and the Shareholders as a whole and the terms of which are fair and reasonable insofar as the Company and the Shareholders are concerned, details of which are set out in the letter from the Board (the "Board Letter") contained in the circular of the Company dated 9 January 2008 (the "Circular") of which this letter forms part. Terms defined in the Circular shall have the same meanings in this letter unless the context of this letter otherwise requires.

Subject to the Capital Reorganisation becoming effective, the Company proposes to raise approximately HK$488.65 million before expenses (assuming no Options are exercised, no conversion of the Convertible Notes and the Issue Mandate is not utilised on or before the Record Date) to approximately HK$626.79 million before expenses (assuming all of the Options are exercised, full conversion of the Convertible Notes and full utilization of the Issue Mandate on or before the Record Date) by way of the Rights Issue of issuing not less than 4,072,156,235 Rights Shares and not more than 5,223,254,145 Rights Shares at a price of HK$0.12 per Rights Share payable in full on acceptance. The Company will provisionally allot five Rights Shares in nil-paid form for every Adjusted Share held by the Qualifying Shareholders on the Record Date. The Rights Issue is not available to the Non-Qualifying Shareholders. The Company plans to apply the entire net proceeds of between approximately HK$474.3 million to HK$609.0 million as the funding for the expansion of the Group's current business including the insurance business and related financial services business.

Pursuant to the requirements of the Listing Rules, the proposed Rights Issue is conditional on the approval by the Independent Shareholders at the EGM, where the controlling Shareholder, or in the case that the Company has no controlling Shareholder, the Directors and the chief executive of the Company are required to abstain from voting in favour of the Rights Issue. As at the Latest Practicable Date, out of the four executive Directors, only Dr. Yang Fan Shing, Andrew and Ms. Kwok Wai Ming held Shares. The Directors, Dr. Yang Fan Shing, Andrew and his associates (including, his wife and Parkson Group Limited), Ms. Kwok Wai Ming, Ms. Au Shuk Yee, Sue, Mr. Kwong Wai Tim, William and their respective associates to the extent they hold any Shares, are required to abstain from voting in favour of the Rights Issue at the EGM.

In formulating our opinion, we have relied on the statements, information, opinions and representations contained in the Circular and the information and representations provided to us by the Directors and management of the Company. We have assumed that all information, representations and opinions contained or referred to in the Circular and all information, representations and opinions which have been provided by the Directors or management of the Company for which they are solely responsible, are true and accurate at the time they were made and will continue to be accurate at the date of the despatch of the Circular.

We consider that we have been provided with sufficient information on which to form a reasonable basis for our opinion. We have no reason to suspect that any relevant information has been withheld, nor are we aware of any fact or circumstance which would render the information provided and representations and opinions made to us untrue, inaccurate or misleading. Having made all reasonable enquiries, the Directors have further confirmed that, to the best of their knowledge, they believe there are no other facts or representations the omission of which would make any statement in the Circular, including this letter. We have not, however, carried out any independent verification of the information provided by the Directors and management of the Company, nor have we conducted an independent investigation into the business and affairs of the Company.

In formulating our opinion, we have not considered the taxation implications on Shareholders in relation to the subscription for, holding or disposal of the Rights Shares or otherwise, since these are particular to their individual circumstances. It is emphasised that we will not accept responsibility for any tax effects on, or liabilities of any person resulting from the subscription for, holding or disposal of the Rights Shares or otherwise. In particular, Shareholders subject to overseas taxation or Hong Kong taxation on securities dealings should consider their own tax position and, if in any doubt, should consult their own professional advisers.

PRINCIPAL FACTORS TAKEN INTO ACCOUNT

In arriving at our advice to the Independent Board Committee and the Independent Shareholders in respect of the terms of the Rights Issue, we have taken the following principal factors and reasons into consideration:

(I) Background

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. The Directors consider that it is in the interest of the Company and the Shareholders to raise further capital for the expansion of the Group's current businesses including the insurance business and related financial services business.

(II) Reasons for the Rights Issue

The Directors consider that it is appropriate for the Company to capture the fund raising opportunity through the Rights Issue on a fully underwritten basis allows all Qualifying Shareholders to participate in proportion to their shareholdings.

We are advised by the Directors that they had considered other ways of fund raising, including bank borrowing and placing of new Shares and concluded that bank borrowings, if required by the new investments or projects, will incur interest costs while placing of new Shares will result in dilution of the interests of Shareholders. The Rights Issue will enhance the capital base of the Group while allowing the Qualifying Shareholders to maintain their respective pro rata shareholdings in the Company. We are of the view that for long term financial planning it is reasonable for the Company to raise funds in the equity capital market rather than in the debt market to release the interest burden and strengthen the financial position of the Group.

The Rights Issue is effected on a pro-rata basis and we are of the view that the Rights Issue offers all the Qualifying Shareholders an equal opportunity to participate in the enlargement of the capital base of the Company and enables the Qualifying Shareholders to maintain their proportionate interest in the Company and to continue to participate in the future development of the Group. The nil-paid Rights Shares will be traded on the Stock Exchange. Shareholders who do not take up their entitlements in full will have the opportunity to realise their nil-paid Rights Shares on the market, subject to market conditions. On this basis, we consider the Rights Issue is fair and reasonable to the Qualifying Shareholders.

(III) Use of proceeds of the Rights Issue

The Company intends to use the entire net proceeds for the Rights Issue, being estimated at approximately HK$474.3 million (assuming no Options are exercised, no conversion of the Convertible Notes and nil utilization of the Issue Mandate on or before the Record Date) or approximately HK$609.0 million (assuming all of the Options are exercised, full conversion of the Convertible Notes and full utilization of the Issue Mandate on or before the Record Date) as the funding for the expansion of the Group's current businesses including the insurance business and related financial services business. As at the Latest Practicable Date, other than the application for the long term life insurance business, no specific project has been identified by the Company.

The Company have conducted several fund raising exercises in the past 12 months from the Latest Practicable Date which is set out under the sub-section "FUND RAISING ACTIVITIES IN THE PAST TWELVE MONTHS" in the Board Letter. The Directors consider that the expansion of the Group's current businesses including the insurance business and related financial services business would utilize most of the net proceeds to be raised by the Rights Issue. We are of the view that in the event that the Group identifies a suitable expansion opportunity within the current business but does not have sufficient cash resources on hand or it cannot find other alternatives to finance the expansion in a timely manner, the Group may lose an opportunity to expand. On this basis, we consider that the timing for the Rights Issue being proposed before the happening of immediate need of cash, including but not limited to the above mentioned situation, is appropriate.

Based on the above, we are of the view that the proceeds from the Rights Issue could further improve the cash and working capital position of the Group while giving the Group the higher flexibility to make future possible investments if opportunities arise. Moreover, the overall improvement of the financial position as a results of the proceeds from the Rights Issue could place the Group in a better position to secure future bank borrowings, if required, for funding future investments, which is beneficial to the future development of the Group and therefore is in the interests of the Company and the Shareholders as a whole.

(IV) The major terms of the Rights Issue

Basis of the Rights Issue	:	five Rights Shares for every Adjusted Share held on the Record Date
Number of Shares in issue	:	8,144,312,473 Shares as at the Latest Practicable Date
Number of Adjusted Shares in issue upon the Capital Reorganisation becoming effective	:	814,431,247 Adjusted Shares (assuming no Options are exercised, no conversion of the outstanding Convertible Notes and the Issue Mandate is not utilised on or before the Record Date) or 1,044,650,829 Adjusted Shares (assuming all of the Options are exercised, full conversion of the outstanding Convertible Notes and full utilization of the Issue Mandate on or before the Record Date) *(Note)*
Number of Rights Shares	:	not less than 4,072,156,235 Rights Shares (assuming no Options are exercised, no conversion of the outstanding Convertible Notes and the Issue Mandate is not utilised on or before the Record Date) and not more than 5,223,254,145 Rights Shares (assuming all of the Options are exercised, full conversion of the outstanding Convertible Notes and full utilization of the Issue Mandate on or before the Record Date) *(Note)*
Subscription price per Rights Share	:	HK$0.12 per Rights Share with nominal value of HK$0.10 each

Note:

As at the Latest Practicable Date, (i) there are Options to subscribe for an aggregate of 540,000,000 Shares outstanding; (ii) there are outstanding Convertible Notes with principal amount of HK$55 million which are convertible into 458,333,333 Shares in aggregate at a conversion price of HK$0.120 per Share (subject to adjustment); and (iii) the Issue Mandate, which authorises the Directors to issue and allot up to 1,303,862,494 Shares, has not been utilised. Assuming all of the Options are exercised, full conversion of the outstanding Convertible Notes and full utilisation of the Issue Mandate on or before the Record Date, a total of 2,302,195,827 new Shares (equivalent to 230,219,582 Adjusted Shares) may fall to be issued and hence an additional 1,151,097,910 Rights Shares would be issued, in which the maximum number of Rights Shares that may be issued by the Company will become 5,223,254,145.

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

Assuming no Options are exercised, no conversion of the Convertible Notes and of the Issue Mandate is not utilised on or before the Record Date, the 4,072,156,235 nil-paid Rights Shares proposed to be provisionally allotted represent (a) 5 times of the Company's issued share capital upon completion of the Capital Reorganisation; and (b) approximately 83.33% of the Company's issued share capital upon completion of the Capital Reorganisation and as enlarged by the issue of the Rights Shares.

Subscription price

The subscription price for the Rights Shares is HK$0.12 per Rights Share, payable in full upon acceptance of the relevant provisional allotment of Rights Shares and, where applicable, application for excess Rights Shares under the Rights Issue or when a transferee of nil-paid Rights Shares applies for the Rights Shares.

The subscription price represents:

(a) a discount of about 82.86% to the adjusted closing price of HK$0.7 per Adjusted Share (based on the closing price of HK$0.07 per Share as quoted on the Stock Exchange on the Last Trading Day and adjusted for the effect of the Capital Reorganisation);

(b) a discount of about 44.62% to the theoretical ex-rights price of approximately HK$0.2167 per Adjusted Share (based on the closing price of HK$0.07 per Share as quoted on the Stock Exchange on the Last Trading Day and adjusted for the effect of the Capital Reorganisation);

(c) a discount of about 83.61% to the average adjusted closing price of approximately HK$0.732 per Adjusted Share (based on the average closing price of HK$0.0732 per Share for the five trading days ended on the Last Trading Day and adjusted for the effect of the Capital Reorganisation; and

(d) a discount of 80.00% to the closing price of HK$0.6 per Adjusted Share (based on the closing price of HK$0.06 per Share as quoted on the Stock Exchange on the Latest Practicable Date and adjusted for the effect of the Capital Reorganisation).

The Directors consider that the subscription price of the Rights Shares and the size of Rights Issue are arrived at after taking into account of (1) the amount of funds that the Company wishes to raise and (2) the prevailing market conditions and the agreed terms accepted by the Company and the Underwriter. The Directors consider that significant discounts the subscription price of the Rights Shares compared above will encourage existing Shareholders to take up their entitlements.

We have reviewed and included, so far as we are aware, all the rights issues announced during the last 6 months prior to the date of the Announcement by the companies listed on the main board of the Stock Exchange. The pricing of a rights issue may vary under different stock market condition as well as for companies with different financial standing and business performance. Nevertheless, we consider that the comparison of rights issues announced recently could provide a general reference for the reasonableness of the pricing of the Rights Issue and that it is appropriate and relevant. The terms of all the rights issues conducted by these main board listed companies (the "Comparables") during the above mentioned period are summarized as below:

Company name (Stock Code)	**Date of Announcement**	**Offer Ratio**	**(Discount) of subscription price over/to the closing price per Share on the last trading day**	**(Discount) of subscription price over/to the theoretical ex-right price per Share**	**Premium/ (Discount) of subscription price over/to the latest available net assets per Share**	**Underwriting commission**
			(%)	*(%)*	*(%)*	*(%)*
Sino Katalytics Investment Corporation (2324)	12/06/2007	1 for 2	(28.0)	(20.6)	(51.4)	2.5
Asia Orient Holdings Limited (214)	13/06/2007	1 for 2	(42.2)	(32.6)	(73.4)	2.0
UDL Holdings Limited (620)	15/6/2007	1 for 2	(67.3)	(57.8)	2,400	2.5
National Investments Fund Limited (1227)	21/06/2007	12 for 1	(91.9)	(46.7)	25.0	2.25
SunCorp Technologies Limited (1063)	26/06/2007	3 for 10	(26.9)	(22.1)	Not available	Not available
Matsunichi Communication Holdings Limited (283)	28/06/2007	1 for 2	(10.0)	(6.3)	112.8	Not available
Century Legend (Holdings) Limited (79)	03/07/2007	1 for 5	(60.7)	(50.7)	(58.8)	2.5
Shangri-La Asia Limited (69)	03/07/2007	1 for 9	(4.8)	(4.3)	118.9	1.0
The Sun's Group Limited (988)	06/07/2007	1 for 2	(69.7)	(60.5)	21.3	1.5
Sino Technology Investments Company Limited (1217)	16/08/2007	10 for 1	(87.3)	(33.3)	(58.0)	2.1
New Heritage Holdings Limited (95)	17/08/2007	3 for 8	(14.8)	(11.9)	(19.1)	1.25
Heritage International Holdings Limited (412)	27/08/2007	1 for 2	(13.8)	(9.1)	(39.6)	2.5
China Star Entertainment Limited (326)	30/08/2007	1 for 2	(17.4)	(12.3)	(79.7)	2.5
See Corporation Limited (491)	13/9/2007	2 for 1	(52.9)	(27.3)		2.5
Angang Steel Company Limited (347)	29/9/2007	2.2 for 10	(47.1)	(42.2)	(42.4)	Not available
GFT Holdings Limited (1003)	10/10/2007	3 for 1	(61.62)	(28.64)	15.85	2.5
Karrie International Holdings Limited (1050)	11/10/2007	4 for 10	(27.18)	(21.05)	(45.65)	Not available
Radford Investment Company Limited (901)	25/10/2007	3 for 2	(45.05)	(24.7)	(80.77)	2.0
Sun Man Tai Holdings Company Limited (433)	29/10/2007	1 for 2	(54.2)	(43.93)	(45.44)	1.0
Willie International Holdings Limited (273)	15/11/2007	1 for 1	(62.07)	(45.0)	(75.28)	2.5
Highest premium/(Lowest Discount)			**(4.8)**	**(4.3)**	**2,400**	
(Highest Discount)			**(91.9)**	**(60.5)**	**(80.77)**	
mean			**(43.38)**	**(29.75)**	**99.6**	**2.02**
median			**(45.05)**	**(27.3)**	**(41.0)**	**2.25**
The Company			**(82.86)**	**(44.62)**	**(90.16)**	**2.5**

Source: The Stock Exchange website, the respective announcements and circulars

As noted from the above table,

1. the subscription price to the closing prices on the last trading day prior to the dates of announcements of the Comparables ranged from a discount of 4.8% to a discount of 91.9% (the "First Relevant Range"), with the mean and median at discounts of approximately 43.38% and 45.05% respectively. The discount of the subscription price of the Rights Issue to the closing price of the Shares on the Last Trading Day is approximately 82.86%, which is deeper than mean and median but falls within the First Relevant Range of the Comparables;

2. the subscription price to the theoretical ex-rights prices per share based on the last trading day prior to the dates of the announcements in relation to the Comparables ranged from a discount of 4.3% to a discount of 60.5% (the "Second Relevant Range"), with the mean and median at discounts of approximately 29.75% and 27.3% respectively. The discount of the subscription price of the Rights Issue to the theoretical ex-rights price per Share of approximately 44.62%, based on the closing price of the Shares on the Last Trading Day, is deeper than the mean and the median and falls within the Second Relevant Range of the Comparables; and

3. the subscription price to the net tangible assets per share of the Comparables ranged from a premium of 2,400% to a discount of approximately 80.77% (the "Third Relevant Range"), with the mean at a premium of approximately 99.6% and the median at a discount 41.0% respectively. Based on the unaudited net tangible assets of HK$0.122 per Share as at 30 September 2007 set out in Appendix II in this circular, the discount of the subscription price to the Rights Issue to the unaudited net tangible assets of HK$1.22 per Adjusted Share of approximately 90.16% falls beyond the Third Relevant Range.

We note that (i) it is common to offer higher discount rates for the rights issues involved heavy calls (i.e. higher offer ratio) on shareholders in order to enhance the attractiveness to the shareholders as well as the underwriters; (ii) the discount of the subscription price of the Rights Issue to the closing price of the Shares on the Last Trading Day falls within the First Relevant Range of the Comparables; (iii) the discount of the subscription price of the Rights Issue to the theoretical ex-rights price per Share falls within the Second Relevant Range of the Comparables; and (iv) the discount of the subscription price of the Rights Issue to the unaudited net assets per Adjusted Share as at the last trading day falls beyond the Third Relevant Range. Despite the discount of the subscription price of the Rights Issue to the unaudited net assets per Adjusted Share as at the last trading day falling beyond the Third Relevant Range, the discount of the subscription price of the Rights Issue falls within the First Relevant Range as well as the Second Relevant Range of the Comparables and the Rights Issue will allow all the Qualifying Shareholders to maintain their proportionate interests in the Company and to participate in the future growth and development of the Group. Therefore, we are of the view the subscription price is acceptable and is fair and reasonable so far as the Shareholders are concern.

The deep discount of the subscription price to the closing price of the Share on the Last Trading Day and the theoretical ex-right price of the Shares provides an opportunity for the Qualifying Shareholders to take up the Rights Shares at a more attractive price while providing the Company with the funding which is in the interest of the Company and the Shareholders as a whole of concern.

The underwriting commission rates of the Comparables ranged from 1.0% to 2.5% (the "Fourth Relevant Range"), with the mean and median of approximately 2.02% and 2.25% respectively. The underwriting commission of the Right Issue, being 2.5%, is higher than the mean and the median but falls within the Forth Relevant Range of the Comparables. We consider that the subscription price and the underwriting commission of the Rights Issue are generally in line with that of the Comparables and are fair and reasonable so far as the Shareholders are concerned.

(V) Other terms of the Rights Issue and the underwriting arrangements

The other terms of the Rights Issue, being set out under the section headed "PROPOSED RIGHTS ISSUE" in the Board Letter, include the detailed terms related to:

- the Qualifying Shareholders;
- the Basis of provisional allotment;
- the Fractions of Rights Shares;
- the Status of the Rights Shares;
- the Application for excess Rights Shares;
- the Share certificates and refund cheques for Rights Issue;
- the Application for listing;
- the Terms of the Underwriting Agreement; and
- the Conditions of the Rights Issue.

Other than the subscription price and the underwriting commission of the Rights Issue, we have also reviewed the other terms of the Rights Issue together with the terms of the Underwriting Agreement as listed above, we are of the view that the terms of the Rights Issue together with the terms of the Underwriting Agreement are on normal commercial basis, no extraordinary terms being noted.

(VI) Effect on shareholding interests of the Shareholders

Being set out in the section headed "Shareholding of the Company" in the Board Letter, immediately after completion of the Rights Issue, (i) the shareholding of the existing Independent Shareholders will be substantially diluted from 82.86% to 13.80% (assuming no Options are exercised, no conversion of the Convertible Notes and the Issue Mandate is not utilised on or before the Record Date); and (ii) the shareholding of the existing Independent Shareholders will be substantially diluted from 64.60% to 10.77% (assuming all of the Options are exercised, full conversion of the Convertible Notes and full utilization of the Issue Mandate on or before the Record Date). For those Qualifying Shareholders who take up their entitlements in full under the Rights Issue, their shareholding interests in the Company will remain unchanged after the Rights Issue.

The Underwriter has sub-underwritten its underwriting obligations under the Rights Issue to sub-underwriters such that each of the Underwriter and the sub-underwriters (together with their respective parties acting in concert as defined in the Hong Kong Code on Takeovers and Mergers) will not own 30% or more of the issued share capital of the Company after completion of the Rights Issue. Each of the Underwriter and the sub-underwriters (and their respective ultimate beneficial owners) is not a party acting in concert with each other or with any Shareholders. Each of the Underwriter and the sub-underwriters and their respective ultimate beneficial owners do not have any shareholding in the Company and are not connected persons (as defined in the Listing Rules) of the Company.

As stipulated in the Underwriting Agreement, in the event that the Underwriter or any of the sub-underwriters mentioned above is required to take up the Rights Shares pursuant to their underwriting/subunderwriting obligations, (i) the Underwriter will not and shall procure that the sub-underwriters will not own 10% or more of the issued share capital of the Company immediately after the Rights Issue; and (ii) the Underwriter shall and shall cause the sub-underwriters to procure independent placees to take up such number of Rights Shares as necessary to ensure that the public float requirements under Rule 8.08 of the Listing Rules are complied with.

Shareholders who do not take up their entitlements in full will have the opportunity to realise their nil-paid Rights Shares in the market, subject to market conditions. The nil-paid Rights Shares will be traded on the Stock Exchange.

Taking into consideration the foregoing, we consider that as the Qualifying Shareholders can choose to participate in the Rights Issue or, if they are unwilling or unable to do so, to dispose of their entitlements of nil-paid Rights Shares in the market at a premium if one can be obtained, the Rights Issue is an equitable method for all the Qualifying Shareholders to raise new equity capital for the Company. The Rights Issue is a fair and reasonable method to raise funds, as the Rights Issue will allow the Qualifying Shareholders to maintain their respective pro rata shareholdings in the Company.

(VII) Financial effects of the Rights Issue

(a) Net assets

The effect on the unaudited pro forma consolidated net assets of the Group immediately after completion of the Rights Issue are set out in Appendix II in this circular.

Subject to the Capital Reorganisation becoming effective, the Company proposes to raise approximately HK$488.65 million before expenses (assuming no Options are exercised, no conversion of the Convertible Notes and the Issue Mandate is not utilised on or before the Record Date) to approximately HK$626.79 million before expenses (assuming all of the Options are exercised, full conversion of the Convertible Notes and full utilization of the Issue Mandate on or before the Record Date) by way of the Rights Issue.

We are of the view that the Rights Issue can improve the net assets value of the Group. We are also of the view that the subscription price of HK$0.12 per Rights Share carries a substantial discount to the unaudited pro forma consolidated net assets per Adjusted Share is fair and reasonable as the Shareholders are concerned, when taking into account that (i) it is common to offer higher discount rates for the rights issues involved heavy calls (i.e. higher offer ratio) on shareholders in order to enhance the attractiveness to the Qualifying shareholders as well as the underwriters; (ii) the discount of the subscription price of the Rights Issue to the closing price of the Shares on the Last Trading Day falls within the First Relevant Range of the Comparables; (iii) the discount of the subscription price of the Rights Issue to the theoretical ex-rights price per Share falls within the Second Relevant Range of the Comparables; and (iv) all the Qualifying Shareholders will be allowed to maintain their proportionate interests in the Company.

(b) Gearing ratio and working capital

Based on the unaudited consolidated accounts of the Company as at 30 September 2007, the gearing ratio (calculated as the current liabilities of approximately HK$14.24 million to shareholders' equity of approximately HK$1,005.4 million) of the Group was approximately 1.42%. The Rights Issue can raise a net amount of HK$488.65 million to HK$626.79 million. Accordingly, the gearing ratio of the Group immediately after the Rights Issue will be further improved depending on the amounts of the Options to be exercised, the Convertible Notes to be converted and the Issue Mandate to be utilised on or before the Record Date.

The cash position and working capital (before any specific investments made) of the Group immediately after the Rights Issue will be increased by the same amount of the actual net proceeds of the Rights Issue. We are also of the view that the cash position and working capital of the Group to be improved immediately after the Rights Issue is in the interest of the Company and Shareholders, including both the Qualifying Shareholders and the Non-Qualifying Shareholders.

RECOMMENDATION

We have taken into consideration of the above principal factors and reasons, in particular:

- the net proceeds from the Rights Issue will improve the working capital position of the Group and provide the Company sufficient cash for future possible investments, if opportunities arise;

- the Rights Issue would enlarge the capital base of the Company;

- the Rights Issue will allow all the Qualifying Shareholders to participate in the future growth and development of the Group;

- the Rights Issue on normal commercial terms;

- the discounts represented by the subscription price of the Rights Issue to the closing price of the Adjusted Shares and the theoretical ex-rights price the Adjusted Shares fall within the First Relevant Range and the Second Relevant Range respectively; and

- the discount of the subscription price to the Rights Issue to the unaudited net assets per Adjusted Share falls beyond the Third Relevant Range. However, the Rights Issue can improve the net assets of the Group, the gearing ratio and the working capital position of the Group and all the Qualifying Shareholders will be allowed to maintain their proportionate interests in the Company.

We are of the view that the Rights Issue is in the interests of the Company and the Shareholders as a whole and the terms of Rights Issue are fair and reasonable so far as the Company and the Shareholders, including both the Qualifying Shareholders and the Non-Qualifying Shareholders, are concerned. Accordingly, we recommend the Independent Board Committee to advise the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the EGM to approve the Rights Issue.

Yours faithfully,
For and on behalf of
Menlo Capital Limited
Michael Leung
Director

1. FINANCIAL SUMMARY

Set out below is a summary of the audited consolidated results and financial position of the Group for the three years ended 31 March 2007, as extracted from the annual reports of the Company for the respective years.

Consolidated Results

	Years ended 31 March		
	2007	**2006**	**2005**
	HK$'000	*HK$'000*	*HK$'000*
Revenue	350,181	74,405	32,220
(Loss)/profit before tax	(214,960)	(53,317)	18,465
Tax	1,927	(2,383)	(2,504)
(Loss)/profit for the year from a discontinued operation	771	(104,070)	358
(Loss)/profit for the year	(212,262)	(159,770)	16,319
(Loss)/profit per share attributable to ordinary equity holders of the company			
Basic			
– For (loss)/profit for the year	HK (14.52) cents	HK (67.46) cents	HK 8.72 cents
– For loss from continuing operations	HK (14.57) cents	HK (23.52) cents	HK 8.52 cents
Diluted			
– For loss for the year	N/A	N/A	N/A
– For loss from continuing operations	N/A	N/A	N/A

Financial Positions

	As at 31 March		
	2007	**2006**	**2005**
	HK$'000	*HK$'000*	*HK$'000*
Total assets	661,100	522,573	509,986
Total liabilities	(71,862)	(20,930)	(3,266)
Net assets	589,238	501,643	506,720

2. AUDITED FINANCIAL INFORMATION

Set out below is a summary of the audited consolidated financial statements of the Group for the financial years ended 31 March 2006 and 31 March 2007 together with the relevant notes to the accounts, as extracted from the annual report of the Company for the year ended 31 March 2007. The auditor's reports as set out in the annual reports of the Group for the year ended 31 March 2006 and 31 March 2007 were qualified.

Consolidated Income Statement

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

Consolidated Balance Sheet

	Notes	2007 HK$'000	2006 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	14	2,145	1,348
Investment properties	15	63,340	3,000
Prepaid land premium	16	4,100	–
Goodwill	17	12,129	–
Investment in an associate	19	50,000	–
Available-for-sale equity investments	20	–	67,870
Loans receivable	21	–	112,900
Deposits paid for purchases of investment properties		3,036	–
Total non-current assets		134,750	185,118
CURRENT ASSETS			
Prepayments, deposits and other receivables	22	26,461	132,366
Loans receivable	21	295,230	124,054
Investments at fair value through profit or loss	23	132,006	50,309
Tax recoverable		27	300
Cash and bank balances	24	72,626	30,426
Total current assets		526,350	337,455
CURRENT LIABILITIES			
Other payables and accruals		8,804	5,690
Interest-bearing bank and other borrowings	25	21,457	12,766
Tax payable		–	2,474
Total current liabilities		30,261	20,930
NET CURRENT ASSETS		496,089	316,525
TOTAL ASSETS LESS CURRENT LIABILITIES		630,839	501,643
TOTAL ASSETS LESS CURRENT LIABILITIES		630,839	501,643
NON-CURRENT LIABILITIES			
Interest-bearing bank borrowings	25	41,145	–
Deferred tax liabilities	27	456	–
Total non-current liabilities		41,601	–
Net assets		589,238	501,643
EQUITY			
Equity attributable to equity holders of the Company			
Issued capital	28	247,397	135,411
Reserves	30(a)	341,841	366,232
Total equity		589,238	501,643

Consolidated Statement of Changes in Equity

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

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

* *These reserve accounts comprise the consolidated reserves of HK$341,841,000 (2006: HK$366,232,000) in the consolidated balance sheet.*

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

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

Consolidated Cash Flow Statement

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

	Notes	2007 HK$'000	2006 HK$'000
Net cash outflow from operating activities		(236,378)	(79,073)
CASH FLOWS FROM INVESTING ACTIVITIES			
Dividend received from an associate		–	880
Purchases of items of property, plant and equipment	*14*	(218)	(1,561)
Proceeds from disposal of items of property, plant and equipment		–	110
Purchases of investment properties	*15*	(59,550)	–
Proceeds from disposal of an investment property		2,393	–
Deposits paid for purchases of investment properties		(3,036)	–
Acquisition of subsidiaries	*31(a)*	4,956	–
Repayment from an associate		–	3,120
Proceeds from disposal of an associate		–	14
Proceeds from disposal of available-for-sale equity investments		13,670	–
Proceeds from disposal of a discontinued operation	*31(b)*	127,998	–
Disposal of subsidiaries	*31(b)*	6,948	–
Purchases of available-for-sale investments		(100,000)	(29,602)
Net cash outflow from investing activities		(6,839)	(27,039)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from placement of new shares	*28*	171,100	120,280
Proceeds from issue of convertible notes	*26*	96,949	–
Proceeds from exercise of share options	*28(j)*	41,785	2,928
Share issue expenses	*28*	(3,854)	(3,203)
Drawdown of bank and other borrowings		220,569	63,129
Repayment of bank and other borrowings		(195,370)	(51,125)
Redemption of convertible notes	*26*	(45,000)	–
Net cash inflow from financing activities		286,179	132,009
NET INCREASE IN CASH AND CASH EQUIVALENTS		42,962	25,897
Cash and cash equivalents at beginning of year		29,664	3,744
Effect of foreign exchange rate changes, net		–	23
CASH AND CASH EQUIVALENTS AT END OF YEAR		72,626	29,664
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances		72,626	30,426
Bank overdrafts	*25*	–	(762)
		72,626	29,664

Balance Sheet

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

Notes to the Financial Statements

Year ended 31 March 2007

1. CORPORATE INFORMATION

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

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

2.1 BASIS OF PREPARATION

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

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 31 March 2007. The results of subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. All significant intercompany transactions and balances within the Group are eliminated on consolidation.

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

2.2 IMPACT OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

The Group has adopted the following new and revised HKFRSs for the first time for the current year's financial statements. The adoption of these new and revised standards and interpretations has had no material effect on these financial statements.

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

The principal changes in accounting policies are as follows:

HKAS 39 Financial Instruments: Recognition and Measurement

(i) Amendment for financial guarantee contracts

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

(ii) Amendment for the fair value option

This amendment has changed the definition of a financial instrument classified as fair value through profit or loss and has restricted the use of the option to designate any financial asset or any financial liability to be measured at fair value through the income statement. The Group had not previously used this option, and hence the amendment has had no effect on these financial statements.

2.3 IMPACT OF ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

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

HKAS 1 Amendment	Capital Disclosures
HKAS 23 (Revised)	Borrowing Costs
HKFRS 7	Financial Instruments: Disclosures
HKFRS 8	Operating Segments
HK(IFRIC)-Int 8	Scope of HKFRS 2
HK(IFRIC)-Int 9	Reassessment of Embedded Derivatives
HK(IFRIC)-Int 10	Interim Financial Reporting and Impairment
HK(IFRIC)-Int 11	HKFRS 2 – Group and Treasury Share Transactions
HK(IFRIC)-Int 12	Service Concession Arrangements

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

HKFRS 7 shall be applied for annual periods beginning on or after 1 January 2007. The standard requires disclosures that enable users of the financial statements to evaluate the significance of the Group's financial instruments and the nature and extent of risks arising from those financial instruments and also incorporates many of the disclosure requirements of HKAS 32 Financial Instruments: Disclosure and Presentation.

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Subsidiaries

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

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

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

Associates

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

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

Goodwill

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

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

The carrying amount of goodwill is reviewed for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

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

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

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

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised.

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

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

Impairment of non-financial assets other than goodwill

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

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

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

Property, plant and equipment and depreciation

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

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

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

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

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

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

Investment properties

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

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

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

For a transfer from investment properties to owner-occupied properties, the deemed cost of property for subsequent accounting is its fair value at the date of change in use.

Investments and other financial assets

Financial assets in the scope of HKAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables, and available-for-sale financial assets, as appropriate. When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs. The Group considers whether a contract contains an embedded derivative when the Group first becomes a party to it. The embedded derivatives are separated from the host contract which is not measured at fair value through profit or loss when the analysis shows that the economic characteristics and risks of embedded derivatives are not closely related to those of the host contract.

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

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

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading. Financial assets are classified as held for trading if they are acquired for the purpose of sale in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments or financial guarantee contracts. Gains or losses on these financial assets are recognised in the income statement.

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

Loans and receivables

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

Available-for-sale financial assets

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

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

Fair value

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

Impairment of financial assets

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

Assets carried at amortised cost

If there is objective evidence that an impairment loss on loans and receivables carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (that is, the effective interest rate computed at initial recognition). The carrying amount of the asset is reduced either directly or through the use of an allowance account. The amount of the impairment loss is recognised in the income statement.

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

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

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

Assets carried at cost

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

Available-for-sale financial assets

If an available-for-sale asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in the income statement, is transferred from equity to the income statement. Impairment losses on equity instruments classified as available for sale are not reversed through the income statement.

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

Derecognition of financial assets

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

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

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

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

Financial liabilities including trade payables, other payables and interest-bearing bank and other borrowings are initially stated at fair value less directly attributable transaction costs and are subsequently measured at amortised cost, using the effective interest method unless the effect of discounting would be immaterial, in which case they are stated at cost.

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

Financial guarantee contracts

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

Convertible notes

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

Derecognition of financial liabilities

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

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

Derivative financial instruments

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

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

Cash and cash equivalents

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

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

Foreign currencies

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

Income tax

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

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

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

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

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

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

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

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

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

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

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

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

Operating leases

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

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

Share-based payment transactions

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

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

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

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

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

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

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

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

Employee benefits

Share-based payment transactions

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

Retirement benefits scheme

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

Revenue recognition

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

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

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

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

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

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

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

Related parties

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

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

(b) the party is an associate;

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

Judgements

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

Operating lease commitments – Group as lessor

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

Classification between investment properties and owner-occupied properties

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

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

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

Estimation uncertainty

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

Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of goodwill of the Group at 31 March 2007 was HK$12,129,000 (2006: Nil). More details are given in note 17 to the financial statements.

Estimation of fair value of investment properties

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

Impairment of unlisted equity investments

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

Measurement of convertible notes

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

Measurement of fair value of equity-settled transactions

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

4. SEGMENT INFORMATION

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

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

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

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

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

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

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

(v) the insurance agency and brokerage business segment engages in general and life insurance brokerage business and the provision of related investment linked financial products in Hong Kong; and

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

(a) Business segments

The following tables present revenue, loss and certain asset, liability and expenditure information for the Group's business segments for the years ended 31 March 2007 and 2006.

Group

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

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

(b) Geographical segments

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

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

5. REVENUE, OTHER INCOME AND GAINS

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

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

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

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

6. LOSS BEFORE TAX

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

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

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

7. FINANCE COSTS

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

8. DIRECTORS' REMUNERATION

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

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

(a) Independent non-executive directors

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

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

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

(b) Executive directors

	Fees	Salaries and other benefits	Net pension scheme contributions	Total remuneration
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
2007				
Dr. Yang Fan Shing, Andrew*	53	–	–	53
Mr. Kwong Wai Tim, William	–	390	20	410
Ms. Kwok Wai Ming	–	1,498	12	1,510
Ms. Au Shuk Yee, Sue*	–	266	13	279
Ms. Yau Shum Tek, Cindy	–	89	(28)	61
Mr. Lai Ming Wai	–	135	(121)	14
	53	2,378	(104)	2,327
2006				
Ms. Yau Shum Tek, Cindy	–	420	21	441
Mr. Kwong Wai Tim, William	–	1,532	56	1,588
Mr. Lai Ming Wai	–	810	41	851
Ms. Kwok Wai Ming	–	293	4	297
	–	3,055	122	3,177

* *Dr. Yang Fan Shing, Andrew and Ms. Au Shuk Yee, Sue were appointed as executive directors of the Company with effect from 24 October 2006 and 16 June 2006, respectively.*

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

9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included one (2006: three) director, details of whose remuneration are disclosed in note 8 above. Details of the remuneration of the remaining four (2006: two) non-director, highest paid employees for the year are as follows:

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

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

During the year, 30,580,000 share options were granted to three of the above four non-director, highest paid employees in respect of his/her services to the Group, further details of which are set out in note 29 in the financial statements. The fair value of such share options granted, which has been recognised in the income statement over the vesting period, was determined as at the date of grant and the amount included in the financial statements for the current year is included in the above non-director, highest paid employees' remuneration disclosures.

10. TAX

Hong Kong profits tax has been provided at the rate of 17.5% (2006: 17.5%) on the estimated assessable profits arising in Hong Kong during the year.

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

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

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

The share of tax attributable to an associate amounting to HK$215,000 (2006: HK$70,000) is included in "Share of profit of an associate, net of impairment of an investment in an associate" on the face of the consolidated income statement.

11. LOSS ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

The consolidated loss attributable to equity holders of the Company for the year ended 31 March 2007 includes a loss of 257,210,000 (2006: HK$125,846,000) which has been dealt with in the financial statements of the Company (note 30(b)).

12. DISCONTINUED OPERATION

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

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

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

* *As further detailed in note 22 to the financial statements, upon the completion of the disposal of the Mega Victory Group, the carrying amount of the Group's remaining 45% interest in the Mega Victory Group amounted to approximately HK$59,065,000, which represented the aggregate of the Group's equity investment in Mega Victory of HK$450 (classified as an available-for-sale investment) and the loan receivable from Mega Victory (the "Shareholder's Loan") of approximately HK$59,065,000, net of an impairment provision of approximately HK$44,953,000. As at 31 March 2007, based on the assessment made by the Company's directors on the financial position and future prospect of the Mega Victory Group, full provision was made on the outstanding balance of the Shareholder's Loan.*

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

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

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

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

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

13. LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY

(a) Basic loss per share

The calculation of basic loss per share amounts is based on the loss for the year attributable to ordinary equity holders of the Company of HK$212,262,000 (2006: HK$159,770,000), and the weighted average number of 1,462,063,262 (2006: 236,820,586) ordinary shares in issue during the year.

The calculation of basic loss per share amounts from continuing operations is based on the loss for the year from continuing operations attributable to ordinary equity holders of the Company of HK$213,033,000 (2006: HK$55,700,000 and the weighted average number of 1,462,063,262 (2006: 236,820,586) ordinary shares in issue during the year.

(b) Diluted loss per share

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

14. PROPERTY, PLANT AND EQUIPMENT

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

* *An investment property of the Group has become owner-occupied during the year and the fair value of its building element of HK$1,040,000 (note 15) at the date of change in use became the deemed cost of the building for subsequent accounting. At 31 March 2007, the building was pledged to secure general banking facilities granted to the Group (note 25).*

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

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

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

15. INVESTMENT PROPERTIES

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

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

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

The Group's investment properties were revalued on 31 March 2007 based on valuation performed by Greater China Appraisal Limited, independent professionally qualified valuers, at HK$63,340,000 on an open market, existing use basis. The investment properties are currently or expected to be leased to third parties under operating leases, further summary details of which are included in note 33(a) to the financial statements.

At 31 March 2007, the Group's investment properties situated in Hong Kong with an aggregate carrying value of approximately HK$62,540,000 (2006: Nil) were pledged to secure general banking facilities granted to the Group (note 25).

Further particulars of the Group's investment properties are included on pages 93 to 94.

16. PREPAID LAND PREMIUM

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

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

17. GOODWILL

	Group 2007	2006
	HK$'000	*HK$'000*
Acquisition of subsidiaries *(note 31(a))*	56,179	–
Impairment during the year	(44,050)	–
Carrying amount at 31 March	12,129	–
At 31 March 2007:		
Cost	56,179	–
Accumulated impairment	(44,050)	–
Net carrying amount	12,129	–

Impairment testing of goodwill

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

The recoverable amount of the Cash-generating Unit has been determined based on a value in use calculation using cash flow projections based on financial forecast covering a five-year period. The discount rate applied to the cash flow projections is 12.5%, which does not exceed the average long-term growth rate for the relevant industry.

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

Key assumptions were used in the value in use calculation of the Cash-generating Unit as at 31 March 2007. The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing of goodwill:

Budgeted revenue and results of operation

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

Discount rate

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

18. INTERESTS IN SUBSIDIARIES

	Company	
	2007	**2006**
	HK$'000	*HK$'000*
Unlisted shares, at cost	5	–
Due from subsidiaries	28,077	–
	28,082	–
Provisions for impairment	(1,599)	–
	26,483	–

Except for an amount due from a subsidiary of HK$1,372,000 (2006: Nil) included in the interests in subsidiaries above which bears interest at 5.5% per annum, the remaining balances with subsidiaries are interest-free, and all these balances are unsecured and are not repayable within one year.

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

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

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

Name	Place of incorporation and operations	Nominal value of issued ordinary share capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
Asia Hunter Global Limited	British Virgin Islands	US$1	100	–	Investment holding
Cinergy Holdings Limited	Hong Kong	HK$10,000	–	100	Investment holding
Cinergy Financial Services Limited	Hong Kong	HK$10,000	–	100	Provision of insurance agency services
Cinergy Insurance Services Limited	Hong Kong	HK$10,000	–	100	Provision of insurance broking services
Classic Rank Limited	British Virgin Islands	US$1	100	–	Investment holding
Eastern Sunny Limited	Hong Kong	HK$2	–	100	Provision of management services
Easy Step Limited	Hong Kong	HK$1	–	100	Property investment
Equity Spin Investments Limited	British Virgin Islands	US$1	100	–	Investment holding
Freeman Agency Limited	British Virgin Islands	US$1	100	–	Investment holding
Freeman International Limited	Hong Kong	HK$1	–	100	Property investment
Freeman Investment Holdings Limited	Hong Kong	HK$1	–	100	Property investment
Global Day Limited	Hong Kong	HK$1	–	100	Property investment
Good Develop Limited	Hong Kong	HK$1	–	100	Property investment
Hansom Finance Limited	Hong Kong	HK$2	–	100	Provision of finance
Longsun Limited	British Virgin Islands	US$1	100	–	Investment holding
Loyal Epoch Limited	British Virgin Islands	US$2	–	100	Investment holding
Sharp Assets Limited	Hong Kong	HK$1	–	100	Property investment
Sharp Castle Limited	Hong Kong	HK$1	–	100	Property investment

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

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

19. INVESTMENT IN AN ASSOCIATE

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

Goodwill on acquisition of an associate

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

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

Particulars of the associate are as follows:

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

* *Not audited by Ernst & Young Hong Kong or other Ernst & Young international member firms.*

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

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

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

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

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

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

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

20. AVAILABLE-FOR-SALE EQUITY INVESTMENTS

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

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

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

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

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

21. LOANS RECEIVABLE

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

Loans receivable represent receivables arising from the provision of finance business of the Group, and bear interest at rates ranging from the Hong Kong dollar prime rate quoted by the Hong Kong and Shanghai Banking Corporation Limited (the "Prime Rate") per annum to 4% per month (2006: from Prime Rate to Prime Rate plus 3% per annum). The grantings of these loans were approved and monitored by the Company's executive directors in charge of the Group's provision of finance operation.

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

22. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

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

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

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

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

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

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

23. INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

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

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

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

At the date of approval of these financial statements, the market value of listed equity securities held by the Group as at the balance sheet date was approximately HK$157,921,000 (2006: HK$26,632,000).

24. CASH AND CASH EQUIVALENTS

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

25. INTEREST-BEARING BANK AND OTHER BORROWINGS

Group

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

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

^ *Denotes the Hong Kong Interbank Offered Rate.*

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

Notes:

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

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

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

(i) mortgage over the Group's prepaid land lease premium and building situated in Hong Kong, which had an aggregate carrying value at the balance sheet date of approximately HK$4,155,000 (2006: Nil) (note 16) and HK$1,038,000 (2006: Nil) (note 14), respectively;

(ii) mortgages over the Group's investment properties situated in Hong Kong, which had an aggregate carrying value at the balance sheet date of approximately HK$62,540,000 (2006: Nil);

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

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

26. CONVERTIBLE NOTES

Pursuant to a placing agreement entered into on 20 November 2006 (the "Placing Agreement"), the Company agreed, through a placing agent, to place zero coupon convertible notes due in 2008 up to an aggregate principal amount of HK$300,000,000 (the "Convertible Notes"), of which convertible notes in the principal amount of HK$100,000,000 shall be placed on a fully underwritten basis on 12 January 2007 and convertible notes in the principal amount of HK$200,000,000 shall be placed on a best effort basis on 31 March 2007 (or such other date the parties may agree).

The Convertible Notes were unsecured, interest-free and were due for repayment at 115% of the outstanding principal amount eighteen months following the date of issue of the Convertible Notes. The Convertible Notes were convertible into ordinary shares of the Company in an amount or integral multiple of HK$1,000,000 at any time from the date of issue of the Convertible Notes up to 7 days prior to (and excluding) the maturity date at the initial conversion price of HK$0.25 per share (subject to adjustment). If the closing price for each trading day during a consecutive 30 trading days period was equal to or in excess of 150% of the initial conversion price (subject to adjustment) (that is, HK$0.375), all the then outstanding Convertible Notes would be deemed to be converted at the then prevailing conversion price.

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

On 6 March 2007, certain noteholders served a notice to the Group to request for the early redemption of the Convertible Notes in the principal amount of HK$45,000,000 by the Group at 100% of the outstanding principal amount. Although there was no redemption clause stated in the terms of the Convertible Notes, pursuant to a board resolution of the Company passed on 7 March 2007, the early redemption of the Convertible Notes in the principal amount of HK$45,000,000 was approved.

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

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

The Convertible Notes have been split as to the liability and equity components, as follows:

	Group and Company		
	Liability component	**Equity component**	**Total**
	HK$'000	*HK$'000*	*HK$'000*
Upon issuance	91,975	8,025	100,000
Less: Direct transaction costs	(2,806)	(245)	(3,051)
	89,169	7,780	96,949
Redemption during the year	(41,165)	(3,501)	(44,666)
Conversion during the year	(50,642)	(4,279)	(54,921)
Interest expense	2,638	–	2,638
At 31 March 2007	–	–	–

27. DEFERRED TAX LIABILITIES

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

Deferred tax liabilities

Group

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

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

At 31 March 2007, the Group had tax losses arising in Hong Kong of approximately HK$121,546,000 (2006: HK$34,141,000), subject to the agreement by the Hong Kong Inland Revenue Department, that are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose. Deferred tax assets have not been recognised in respect of these losses as they have arisen in companies that have been loss-making for some time or due to the unpredictability of future profit streams of those companies, and accordingly, it is not considered probable that taxable profits will be available against which the tax losses can be utilised.

28. SHARE CAPITAL

Shares

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

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

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

Notes:

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

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

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

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

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

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

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

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

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

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

Share options

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

29. SHARE OPTION SCHEME

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

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

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

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

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

The 2002 Scheme will expire on 22 August 2012.

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

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

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

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

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

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

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

The fair value of equity-settled share options granted during the year was estimated as at the date of grant, using the Black-Scholes option pricing model, taking into account the terms and conditions upon which the options were granted. The following table lists the inputs to the model used for the year ended 31 March 2007:

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

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

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

At the date of approval of these financial statements, the Company had 1,500,000 share options outstanding under the 2002 Scheme.

30. RESERVES

(a) Group

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

(b) Company

		Reserves								
	Notes	Share premium account HK$'000	Equity component of convertible notes HK$'000	Capital redemption reserve HK$'000	Contributed surplus HK$'000	Distributable reserve HK$'000	Shareholder's contribution HK$'000	Share option reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 April 2005		321,113	–	485	39,521	595,191	–	–	(494,226)	462,084
Placement of new shares	*28(b)*	27,480	–	–	–	–	–	–	–	27,480
Equity-settled share option arrangements		–	–	–	–	–	–	256	–	256
Share options exercised	*28(c)*	784	–	–	–	–	–	(256)	–	528
Share issue expenses		(803)	–	–	–	–	–		(2,400)	(3,203)
Loss for the year		–	–	–	–	–	–	–	(125,846)	(125,846)
At 31 March 2006 and 1 April 2006		348,574	–	485	39,521	595,191	–	–	(622,472)	361,299
Issuance of the convertible notes	*26*	–	7,780	–	–	–	–	–	–	7,780
Redemption of the convertible notes	*26*	–	(3,501)	–	–	–	–	–	1,025	(2,476)
Conversion of the convertible notes	*26, 28(i)*	32,287	(4,279)	–	–	–	–	–	–	28,008
Capital reorganisation	*28(f)*	(327,552)	–	–	–	–	–	–	460,758	133,206
Equity-settled share option arrangement		–	–	–	–	–	–	5,312	–	5,312
Exercise of share options	*28(j)*	16,739	–	–	–	–	–	(5,312)	–	11,427
Capital contribution from the then shareholder upon acquisition of subsidiaries		–	–	–	–	–	15,000	–	–	15,000
Placement of new shares	*28(h)*	9,900	–	–	–	–	–	–	–	9,900
Issue of consideration shares	*28(g)*	33,000	–	–	–	–	–	–	–	33,000
Share issue expenses	*28*	(3,854)	–	–	–	–	–	–	–	(3,854)
Loss for the year		–	–	–	–	–	–	–	(257,210)	(257,210)
At 31 March 2007		109,094	–	485	39,521	595,191	15,000	–	(417,899)	341,392

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

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

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

31. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

(a) Acquisition of subsidiaries

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

	2007	**2006**
	HK$'000	*HK$'000*
Net assets acquired:		
Property, plant and equipment *(note 14)*	322	–
Investment property *(note 15)*	9,033	–
Available-for-sale equity investment	7,000	–
Trade receivables	6,405	–
Prepayments, deposits and other receivables	2,236	–
Cash and bank balances	15,920	–
Bank overdrafts	(29)	–
Trade payables	(974)	–
Interest-bearing bank and other borrowings	(24,637)	–
Other payables and accruals	(7,520)	–
	7,756	–
Goodwill on acquisition *(note 17)*	56,179	–
	63,935	–
Satisfied by:		
Cash	10,935	–
Issue of shares *(note 28(g))*	53,000	–
	63,935	–

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

	2007	**2006**
	HK$'000	*HK$'000*
Cash consideration	(10,935)	–
Cash and bank balances acquired	15,920	–
Bank overdrafts	(29)	–
Net inflow of cash and cash equivalents in respect of the acquisition of subsidiaries	4,956	–

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

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

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

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

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

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

(c) Major non-cash transactions

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

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

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

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

32. PLEDGE OF ASSETS

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

33. OPERATING LEASE ARRANGEMENTS

(a) As lessor

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

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

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

(b) As lessee

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

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

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

34. COMMITMENTS

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

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

35. CONTINGENT LIABILITIES

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

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

As at 31 March 2007, the banking facilities granted to certain subsidiaries subject to guarantees given to the banks by the Company were utilised to the extent of approximately HK$43,073,000 (2006: HK$75,000,000).

36. RELATED PARTY TRANSACTIONS

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

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

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

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

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

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

37. LITIGATION

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

Under the terms and conditions of the Co-operation Agreement, the Insurer has provided certain special and general loans to CHL which amounted to approximately HK$9.48 million and HK$10.20 million respectively as at 31 March 2007. Such loans are the "Other borrowings – unsecured" in an aggregate amount of HK$19.5 million included in interest-bearing and other borrowings as detailed for note 25 to the financial statements.

A dispute over the Co-operation Agreement between CHL and CFSL with the Insurer has arisen whereby CHL and CFSL claimed, inter alia, the Insurer for the material breach of the terms of the said agreements and the Insurer counterclaimed CHL and CFSL, inter alia, for repayment of the loans mentioned above. On 30 May 2006, the parties therein agreed to take the matter to the Hong Kong International Arbitration Centre for final adjudication and arbitration. At the date of approval of these financial statements, the arbitration is still in progress and the directors of the Company are of the opinion that the arbitration shall have no material adverse effect to the business operation and financial position of the Group.

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

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

Cash flow interest rate risk

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

Credit risk

The Group's major exposure to the credit risk relates to loans receivable, other receivables and bank balances represent arising from default of the counterparty, with a maximum exposure equal to the carrying amount of these financial assets in the consolidated balance sheet. The Group's loans receivable arise from the ordinary course of business of the Group and are closely monitored by the directors on an ongoing basis.

Liquidity risk

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

39. POST BALANCE SHEET EVENTS

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

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

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

(c) A rights issue of one rights share for every two existing shares held by members on the register of members on 27 April 2007 was made, at an issue price of HK$0.12 per rights share, resulting in the issue of 1,563,986,824 ordinary shares of HK$0.10 each for a total cash consideration, before expenses, of approximately HK$187,768,000. Further details of the rights issue are also set out in a prospectus of the Company dated 27 April 2007.

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

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

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

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

40. FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES

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

41. COMPARATIVE AMOUNTS

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

42. APPROVAL OF THE FINANCIAL STATEMENTS

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

3. AUDITORS' REPORT

(a) For the financial year ended 31 March 2007

Set out below is a reproduction of the text of the auditors' report issued by Ernst & Young expressing their opinion on the Group's financial statement for the year ended 31 March 2007 as set out in pages 20 to 21 of the annual report of the Company for the year ended 31 March 2007.

ERNST & YOUNG

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

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

Directors' responsibility for the financial statements

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

Auditors' responsibility

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

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

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

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

Basis for qualified opinion

Scope limitation – Prior year audit scope limitation affecting opening balances

We were appointed as auditors of the Company for the current year and the consolidated financial statements of the Group for the year ended 31 March 2006 were audited by other auditors (the "Predecessor Auditors"). As further detailed in the auditors' report issued by the Predecessor Auditors dated 27 July 2006 on the consolidated financial statements of the Group for the year ended 31 March 2006, the Predecessor Auditors were unable to obtain sufficient audit evidence in respect of the amount of an impairment loss of HK$84,596,000 recognised for the year ended 31 March 2006 in respect of a deposit of approximately HK$212,596,000 (the "Deposit") placed with a supplier, and there were no other satisfactory audit procedures that the Predecessor Auditors could adopt to satisfy themselves as to whether the amount of the impairment loss recognised was fairly stated. Accordingly, the Predecessor Auditors expressed a qualified opinion on the consolidated financial statements of the Group for the year ended 31 March 2006 arising from such limitation of audit scope. As further detailed in notes 12 and 22 to the financial statements, during the current year, the Group entered into an agreement to dispose of 55% of its interest in a group of subsidiaries (the "Mega Victory Group"), the most significant asset of which is the Deposit, for a cash consideration of HK$128,000,000 (the "Partial Disposal") and the directors considered that the Group's remaining 45% interest in the Mega Victory Group had been fully impaired as at 31 March 2007. Accordingly, a gain on the Partial Disposal and an impairment loss on the Group's remaining interest thereof, with a net amount of approximately HK$771,000, was credited/charged to the consolidated income statement for the current year.

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

Qualified opinion arising from limitation of audit scope

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

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

27 July 2007

(b) For the financial year ended 31 March 2006

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 in pages 22 to 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 2007.

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30th September, 2007

		For the six months ended 30th September,	
		2007	**2006**
	NOTES	*HK$'000*	*HK$'000*
		(Unaudited)	(Unaudited)
REVENUE	*3*	898,763	96,241
Cost of sales		(819,608)	(97,912)
Gross profit/(loss)		79,155	(1,671)
Other income and gains		21,782	1,165
Gains arising from changes in fair value of investment properties, net		982	559
Gain on disposal of subsidiaries, net		37	52,416
Fair value losses on investment at fair value through profit or loss		(209,829)	(26,128)
Impairment loss on loans receivable		–	(118,752)
Fair value loss on derivative instrument		–	(1,872)
Administrative and other expenses		(15,753)	(11,483)
Finance costs		(1,758)	(1,969)
LOSS BEFORE TAX	*5*	(125,384)	(107,735)
Tax	*6*	–	2,384
LOSS FOR THE PERIOD ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY		(125,384)	(105,351)
LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	*8*		(restated)
Basic		HK(2.32) cents	HK(8.43) cents
Diluted		N/A	N/A

CONDENSED CONSOLIDATED BALANCE SHEET

At 30th September, 2007

	NOTES	30th September, 2007 HK$'000 (Unaudited)	31st March, 2007 HK$'000 (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment	9	19,203	2,145
Investment properties	10	73,680	63,340
Prepaid land premium		22,492	4,100
Goodwill		12,129	12,129
Investment in an associate		–	50,000
Available-for-sale investment		19,810	–
Deposits		5,166	3,036
Total Non-current Assets		152,480	134,750
CURRENT ASSETS			
Prepayments, deposits and other receivables	11	39,232	26,461
Loans receivable	12	165,175	295,230
Investments at fair value through profit or loss		348,564	132,006
Tax recoverable		27	27
Cash and bank balances		380,894	72,626
Total Current Assets		933,892	526,350
CURRENT LIABILITIES			
Other payables and accruals		10,596	8,804
Interest-bearing bank and other borrowings	13	3,600	21,457
Tax payable		40	–
Total Current Liabilities		14,236	30,261
NET CURRENT ASSETS		919,656	496,089
TOTAL ASSETS LESS CURRENT LIABILITIES		1,072,136	630,839
NON-CURRENT LIABILITIES			
Interest-bearing bank borrowings	13	66,620	41,145
Deferred tax liabilities		82	456
Total Non-current Liabilities		66,702	41,601
Net assets		1,005,434	589,238
EQUITY			
Equity attributable to equity holders of the Company			
Issued capital		651,931	247,397
Reserves		353,503	341,841
Total Equity		1,005,434	589,238

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30th September, 2007

	Issued capital HK$'000	Share premium HK$'000	Capital redemption reserve HK$'000	Special reserve HK$'000	Exchange fluctuation reserve HK$'000	Investment revaluation reserve HK$'000	Distributable reserve HK$'000	Share option reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
(Unaudited)										
THE GROUP										
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
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
At 1st April, 2007	247,397	109,094	485	35,131	–	–	595,191	–	(398,060)	589,238
Placings of shares	223,455	96,337	–	–	–	–	–	–	–	319,792
Rights issue of shares	156,399	26,437	–	–	–	–	–	–	–	182,836
Gain on changes in fair value of available-for-sale investments	–	–	–	–	–	226	–	–	–	226
Equity-settled share option arrangements	–	–	–	–	–	–	–	3,681	–	3,681
Exercise of share options	24,680	14,046	–	–	–	–	–	(3,681)	–	35,045
Loss for the period	–	–	–	–	–	–	–	–	(125,384)	(125,384)
At 30th September, 2007	651,931	245,914	485	35,131	–	226	595,191	–	(523,444)	1,005,434

CONDENSED CONSOLIDATED CASH FLOW STATEMENT
For the six months ended 30th September, 2007

	For the six months ended 30th September, 2007	2006
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Net cash (outflow)/inflow from operating activities	(237,133)	34,031
Net cash outflow from investing activities	(1,814)	(247,166)
Net cash inflow from financing activities	547,215	185,305
Net increase/(decrease) in cash and cash equivalents	308,268	(27,830)
Cash and cash equivalents at beginning of period	72,626	29,664
Cash and cash equivalents at end of period	380,894	1,834
Analysis of balances of cash and cash equivalents		
Cash and bank balances	380,894	4,230
Bank overdrafts	–	(2,396)
	380,894	1,834

NOTES TO THE CONDENSED FINANCIAL STATEMENTS
For the six months ended 30th September, 2007

1. BASIS OF PREPARATION

The 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 21st December, 2007.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2006/2007 annual financial statements except for the accounting policy changes that are expected to be reflected in the 2007/2008 annual financial statements. Details of these changes in accounting policies are set out in note 2. This interim financial report should be read in conjunction with the 2006/2007 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.

The 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 2006/2007 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.

The financial information relating to the financial year ended 31st March, 2007 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, 2007 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, 2007.

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

The accounting policies and basis of preparation adopted in the preparation of the interim financial statements are the same as those used in the annual financial statements for the year ended 31st March, 2007, except in relation to the following new and revised Hong Kong Financial Reporting Standards ("HKFRSs", which also include HKASs and Interpretations) that affect the Group and are adopted for the first time for the current period's financial statements:

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

The adoption of the above new and revised HKFRSs has no material impact on the methods of computation in the Group's condensed consolidated financial statements.

3. REVENUE

Revenue represents the net amounts received and receivable from sales of securities, interest income from provision of finance, dividend and interest income from investments in securities, rental income, insurance agency and brokerage income during the period, and is analysed as follows:

	For the six months ended 30th September, 2007	2006
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Sales of securities	885,892	78,530
Interest income from provision of finance	7,316	14,136
Dividend and interest income from investments in securities	1,263	3,320
Rental income	1,120	255
Insurance agency and brokerage income	3,172	–
	898,763	96,241

4. SEGMENT INFORMATION

The Group is organised into five (2006: five) main operating segments: provision of finance, trading of securities, property holding and investment, insurance business 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, 2007						
	Provision of finance	Trading of securities	Property holding and investment	Insurance agency and brokerage	Investment activities	Elimination of intersegment transactions	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
SEGMENT REVENUE	7,316	887,155	1,450	3,172	8,829	(9,159)	898,763
SEGMENT RESULTS	7,416	(137,245)	1,730	11,703	9,513	(9,159)	(116,042)
Unallocated corporate expenses							(7,584)
Finance costs							(1,758)
Loss before tax							(125,384)
Tax							–
Loss for the period							(125,384)

	For the six months ended 30th September, 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*
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
SEGMENT REVENUE	–	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)
Finance costs						(1,969)
Loss before tax						(107,735)
Tax						2,384
Loss for the period						(105,351)

5. LOSS BEFORE TAX

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

	For the six months ended 30th September,	
	2007	**2006**
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Negative goodwill arising from acquisition of a subsidiary	–	(893)
Depreciation	711	353
Equity-settled share option expenses	2,502	2,336
Share-based payment paid to business partners	1,179	766

6. TAX

No provision for tax was made as the Group has not derived any estimated assessable profit for the period (2006: tax credit in the period represents overprovision of Hong Kong Profits Tax in previous years).

7. DIVIDEND

The directors does not recommend the payment of any interim dividend for the period (2006: nil).

8. LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY

(a) Basic loss per share

The calculation of basic loss per share for the period is based on the loss for the period attributable to ordinary equity holders of the Company of HK$125,384,000 (2006: HK$105,351,000) and on the weighted average of 5,393,485,816 (2006: 1,250,407,112 as restated) ordinary shares in issue.

(b) Diluted loss per share

Diluted loss per share amounts for the periods ended 30th September, 2007 and 2006 have not been disclosed, as the share options outstanding during these periods had an anti-dilutive effect on the basic loss per share amounts for these periods.

9. PROPERTY, PLANT AND EQUIPMENT

During the period, the Group acquired property, plant and equipment of HK$7,217,000 (2006: HK$1,186,000), transferred from investment property to property, plant and equipment of HK$11,937,000 (2006: Nil) and transfer from property, plant and equipment to investment property of HK$1,029,000 (2006: Nil).

10. INVESTMENT PROPERTIES

	30th September, 2007	**31st March, 2007**
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Carrying amount at 1st April	63,340	3,000
Acquisition of a subsidiary	–	9,033
Additions	50,502	59,550
Transfer from owner-occupied property	5,166	–
Disposal of a subsidiary	(11,500)	(2,200)
Disposal	–	(2,000)
Transfer to owner-occupied property	(34,810)	(5,200)
Change in fair value of investment properties	982	1,157
Carrying amount at 30th September/31st March	73,680	63,340

The fair values of the Group's investment properties at 30th September, 2007 have been arrived at on the basis of valuation performed by independent professionally qualified valuers on an open market, existing use basis.

11. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	30th September, 2007	**31st March, 2007**
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Deposits and prepayments	2,131	839
Other receivables	35,419	23,586
Advances to employees/agents	1,682	2,036
	39,232	26,461

12. LOANS RECEIVABLE

	30th September, 2007 HK$'000 (Unaudited)	31st March, 2007 HK$'000 (Audited)
Floating rate loans receivable	165,175	362,709
Less: Impairment	–	(67,479)
	165,175	295,230

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

13. INTEREST-BEARING BANK AND OTHER BORROWINGS

	30th September, 2007 HK$'000 (Unaudited)	31st March, 2007 HK$'000 (Audited)
Current:		
Bank loans – secured	3,560	1,928
Other borrowings – secured	40	–
Other borrowings – unsecured	–	19,529
	3,600	21,457
Non-current:		
Bank loans – secured	66,620	41,145
	70,220	62,602

14. SHARE CAPITAL

	Notes	Number of ordinary shares	Amount HK$'000
Authorised:			
Balance at 1st April, 2006 of HK$0.20 each		10,000,000,000	2,000,000
Capital reorganisation	*(c)*	–	(1,000,000)
Balance at 31st March, 2007 of HK$0.10 each		10,000,000,000	1,000,000
Increase in authorised capital	*(h)*	40,000,000,000	4,000,000
Balance at 30th September, 2007		50,000,000,000	5,000,000
Issued and fully paid:			
Balance at 1st April, 2006 of HK$0.20 each		677,056,202	135,411
Placing of new shares	*(a)*	600,000,000	120,000
Issue of consideration shares	*(b)*	55,000,000	11,000
Capital reorganisation	*(c)*	–	(133,206)
Issue of consideration shares	*(d)*	200,000,000	20,000
Placing of new shares	*(e)*	412,000,000	41,200
Conversion of convertible notes	*(f)*	226,337,447	22,634
Share options exercised	*(g)*	303,580,000	30,358
Balance at 31st March, 2007 of HK$0.10 each		2,473,973,649	247,397
Placing of new shares	*(i)*	654,000,000	65,400
Rights issue of new shares	*(j)*	1,563,986,824	156,399
Placing of new shares	*(k)*	494,000,000	49,400
Placing of new shares	*(l)*	1,086,552,000	108,655
Share options exercised	*(m)*	246,800,000	24,680
Balance at 30th September, 2007		6,519,312,473	651,931

Notes:

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

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

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

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

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

(f) During the year ended 31st March, 2007, 226,337,447 new ordinary shares of HK$0.10 each of the Company were issued upon the conversion of convertible notes with principal amount totalling HK$55,000,000 issued by the Company.

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

(h) On 16th July, 2007, the Company effected an increase in authorised share capital whereby its authorised share capital was increased to HK$5,000,000,000 divided into 50,000,000,000 shares from HK$1,000,000,000 divided into 10,000,000,000 shares of HK$0.10 each by the creation of additional 40,000,000,000 shares of HK$0.10 each.

(i) On 19th April 2007, the Company allotted and issued 654,000,000 ordinary shares of HK$0.10 each for cash to independent third parties at a price of HK$0.10 per share.

(j) A rights issue of one rights share for every two existing shares held by members on the register of members on 26th April, 2007 was made, at an issue price of HK$0.12 per rights share, resulting in the issue of 1,563,986,824 ordinary shares of HK$0.10 each.

(k) On 31st May 2007, the Company allotted and issued 494,000,000 ordinary shares of HK$0.10 each for cash to independent third parties at a price of HK$0.130 per share.

(l) On 12th July 2007, the Company allotted and issued 1,086,552,000 ordinary shares of HK$0.10 each for cash to independent third parties at a price of HK$0.182 per share.

(m) During the six months ended 30th September, 2007, the subscription rights attaching to 246,800,000 share options granted to certain employees and business partners were exercised at subscription prices of HK$0.142 per share, resulting in the issue of 246,800,000 new ordinary shares of the Company of HK$0.10 each for a total cash consideration, before expenses, of approximately HK$35,046,000.

15. SHARE OPTION SCHEME

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. Details of the 2002 Scheme are as disclosed in the Company's 2006/2007 Annual Report.

During the period, a total of 246,800,000 share options were granted under the 2002 Scheme and all of which had been exercised.

Details of the movements in the Company's share option scheme are as follows:

				Number of share options				
	Date of grant	Exercisable period	Subscription price per share	Outstanding at 1.4.2007	Granted during the period	Exercise during the period	Cancelled during the period	Outstanding at 30.9.2007
Kwong Wai Tim, William (Director)	16.1.2004	16.1.2004 to 15.1.2009	1.20	1,500,000	–	–	(1,500,000) *(Note)*	–
Employees	11.5.2007	11.5.2007 to 10.5.2012	0.142	–	167,800,000	(167,800,000)	–	–
Business partners	11.5.2007	11.5.2007 to 10.5.2012	0.142	–	79,000,000	(79,000,000)	–	–
				1,500,000	246,800,000	(246,800,000)	(1,500,000)	–

Note: The share options were surrendered and cancelled on 16th April, 2007.

16. PLEDGE OF ASSETS

At 30th September, 2007, (i) investments held for trading of approximately HK$348,564,000 were pledged to a financial institution to secure margin financing of HK$40,000 provided to the Group (ii) prepaid land premium and building of approximately HK$22,492,000 and HK$11,862,000 respectively were pledged to a bank to secure loan facilities granted to the Group and (iii) investment properties of total carrying amount of HK$73,680,000 were pledged to banks to secure loan facilities granted to the Group.

17. POST BALANCE SHEET EVENTS

(a) On 22nd October, 2007, the Group entered into a heads of agreement with a third party for the sale of 120,000,000 ordinary shares of Freeman Financial Services Limited ("FFSL"), a subsidiary of the Group, for a cash consideration of HK$120,000,000 after the future increase in the issued share capital of FFSL. The transaction has not been completed at the date of issuance of this interim report.

(b) On 29th October, 2007, the Group, Dr. Yang Fan Shing, Andrew (the Chairman of the Company), two directors of a subsidiary of the Group and an executive of a subsidiary of the Group entered into a deed of settlement with a third party for the discontinuance and final settlement in respect of an arbitration process with that party. Pursuant to the deed of settlement, the Group had paid HK$6.3 million to that third party for the full and final settlement of the matter.

(c) On 3rd December, 2007, the Company proposed a capital reorganisation whereby (i) the nominal value of all the issued shares be reduced from HK$0.10 each to HK$0.01 each by cancelling HK$0.09 paid up on each issued share by way of a reduction of capital; (ii) the part of the credit arising from such reduction be applied towards cancelling the accumulated deficit of the Company with any balance be transferred to a distributable capital reduction reserve account; and (iii) every 10 reduced shares of HK$0.01 each be consolidated into one adjusted share of HK$0.10 each.

The proposed capital reorganisation is subject to the approval by the Grand Court of the Cayman Islands and by the shareholders of the Company and has not been completed at the date of issuance of this interim report.

(d) The Company entered into a placing agreement and a supplemental agreement with a placing agent on 11th July, 2007 and 21st August, 2007 respectively for the placing of convertible notes in an aggregate principal amount of up to HK$1,500 million with a conversion price of HK$0.12 per share. Convertible notes in the principal amount of HK$250 million were issued by the Company in October, 2007. On 3rd December, 2007, the Company and the said placing agent entered into a termination deed whereby the placing agreement as amended by the supplemental agreement was terminated and the placing of the convertible notes in an aggregate principal amount of up to HK$1,250 million on a best effort basis will not be effected.

(e) On 3rd December, 2007 and 4th December, 2007, the Company entered into an underwriting agreement and a supplemental agreement respectively with an underwriter in respect of a proposed rights issue of not less than 4,072,156,235 rights shares and not more than 5,223,254,145 rights shares at a price of HK$0.12 per rights share. The proposed rights issue has not been completed at the date of issuance of this interim report.

5. INDEBTEDNESS

At the close of business on 30 November 2007, being the latest practicable date for the purpose of this indebtedness statement prior to the printing of this circular, the total indebtedness of the Group amounted to approximately HK$102,932,000 comprising:

(a) mortgage loan of approximately HK$69,616,000, which has secured by certain land and buildings and investment properties of the Group; and

(b) liability portion of convertible notes of approximately HK$33,316,000 with an outstanding principal amount of HK$55,000,000.

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

Save as aforesaid and apart from intra-group liabilities, the Group did not have any outstanding mortgages, charges, debentures, loan capital, debt securities, loans, bank overdraft or other similar indebtedness, financial lease or hire purchase commitments, liabilities under acceptances or acceptance credits or guarantees or other material contingent liabilities as at 30 November 2007.

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 this circular.

7. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 31 March 2007, being the date to which the latest published audited consolidated financial statements of the Company were made up.

8. MANAGEMENT DISCUSSION AND ANALYSIS

Operations and financial review for the six months ended 30 September 2007

(a) Operations Review

For the period under review, the Group was principally engaged in the trading of securities, provision of finance, property holding, insurance business and investment holding.

During the period, the Group had further strengthened its business in securities trading in view of the improvement in the local stock market. Revenue of trading of securities and its related income for the period was HK$887,155,000 (2006: HK$78,530,000). The segment had recorded a loss of HK$137,245,000 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$7,316,000 (2006: HK$14,136,000). The business recorded a profit of HK$7,416,000 in this period (2006: loss of HK$104,453,000).

In view of the improvement in the local property market, the Group had increased its investment in properties in the period. As at 30th September, 2007, the amount of the investment properties was HK$73,680,000 compared with the amount of HK$63,340,000 at 31st March, 2007.

The insurance agency and brokerage business of the Group recorded a turnover and a profit of HK$3,172,000 and HK$11,703,000 in the period respectively. Since the acquisition of the insurance brokerage business in November, 2006, the Group has been leveraging on the experiences of our insurance business management team and working on the application for authorisation to conduct long term life insurance business in Hong Kong.

During the period, the Group had disposed of its investment in the financial services group, Hennabun Capital Group Limited (formerly known as Hennabun Management International Limited).

(b) Financial Review

Liquidity, Financial Resources and Capital Structure

At 30th September, 2007, net current assets of the Group amounted to HK$919,656,000 (31.3.2007: HK$496,089,000) with cash and bank balances of HK$380,894,000 (31.3.2007: HK$72,626,000).

As at 30th September, 2007, the Group had secured bank loans of HK$70,180,000 (31.3.2007: HK$43,073,000) and margin financing payable of HK$40,000 (31.3.2007: Nil). Gearing ratio calculated on the basis of the Group's total borrowings over shareholders' funds was 6.98% (31.3.2007: 10.62%) at the balance sheet date. The secured bank loans 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.

The Group had no material capital commitment at the period end date. In light of the amount of liquid assets in hand and banking facility available, the Directors are of the view that the Group has sufficient financial resources to meet its ongoing operational requirements.

The Group's assets portfolio is mainly financed by its shareholders' funds. At 30th September, 2007, the Group had shareholders' funds of HK$1,005,434,000 (31.3.2007: HK$589,238,000). During the period, the Company had completed placements of a total of 2,234,552,000 new shares and rights issue of 1,563,986,824 shares. The capital base of the Company had been much improved after the said financing exercises.

Foreign Currency Management

Most of the Group's transaction are denominated in Hong Kong Dollars. The Group's foreign currency transactions are mainly denominated in Renminbi. As material fluctuation in exchange rate of Hong Kong dollars to Renminbi is not expected, the Directors are of the view that the Group's exposure to exchange rate risk is not significant.

Pledge of Assets

At 30th September, 2007, (i) investments held for trading of approximately HK$348,564,000 were pledged to a financial institution to secure margin financing of HK$40,000 provided to the Group (ii) prepaid land premium and building of approximately HK$22,492,000 and HK$11,862,000 respectively were pledged to a bank to secure loan facilities granted to the Group and (iii) investment properties of total carrying amount of HK$73,680,000 were pledged to banks to secure loan facilities granted to the Group.

Contingent Liabilities

The Group had no material contingent liabilities at 30th September, 2007.

9. FINANCIAL AND TRADING PROSPECTS OF THE GROUP

The Group has been aiming at the establishment of a well managed financial services conglomerate which include insurance and related businesses. In July 2007, the Group had submitted its initial application to the regulatory authority for approval to carry out long term life insurance business in Hong Kong. The application process is now still in progress and the Group is also working on the preparation for the future operation of the life insurance business if authorisation from the regulating authority can be obtained.

Besides long term life insurance business, the Group is also considering and exploring other appropriate investment opportunities which may strengthen our business and revenue base.

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

The following is the unaudited pro forma statement of consolidated net tangible assets of the Group, which has been prepared on the basis of the notes set out below for the purpose of illustrating the effect of the Capital Reorganization and the Rights Issue on the net tangible assets of the Group as if it had been undertaken and completed on 30 September 2007. This statement has been prepared for illustrative purposes only and because of its nature; it may not give a true picture of the financial position of the Group on the completion of the Capital Reorganization and the Rights Issue.

	Unaudited consolidated net tangible assets of the Group attributable to the Shareholders as at 30 September 2007	**Estimated net proceeds from the Rights Issue**	**Unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to the Shareholders immediately after the Rights Issue**	**Unaudited consolidated net tangible assets per Share as at 30 September 2007**	**Unaudited pro forma adjusted consolidated net tangible assets per Adjusted Share immediately after the Rights Issue**
	(Note 3)	*(Note 4)*		*(Note 5)*	*(Note 6)*
	HK$'000	*HK$'000*	*HK$'000*	*HK$*	*HK$*
Scenario I					
Rights Issue of 4,072,156,235 Rights Shares *(Note 1)*	993,305	474,300	1,467,605	0.122	0.300
Scenario II					
Rights Issue of 5,223,254,145 Rights Shares *(Note 2)*	993,305	609,000	1,602,305 *(Note 7)*	0.122	0.256

Notes:

1. The Rights Issue of 4,072,156,235 Rights Shares is based on 814,431,247 Adjusted Shares in issue upon the Capital Reorganisation becoming effective (assuming no Options are exercised, no conversion of the outstanding Convertible Notes and the Issue Mandate is not utilized on or before the Record Date).

2. The Rights Issue of 5,223,254,145 Rights Shares is based on 1,044,650,829 Adjusted Shares in issue upon the Capital Reorganisation becoming effective (assuming all of the Options are exercised, full conversion of the outstanding Convertible Notes and full utilization of the Issue Mandate on or before the Record Date).

3. The unaudited consolidated net tangible assets of the Group attributable to the Shareholders as at 30 September 2007 is arrived at based on the published unaudited interim report of the Group for the six months ended 30 September 2007 of approximately HK$1,005,434,000 and less the goodwill arising on acquisition of subsidiaries of approximately HK$12,129,000 as at 30 September 2007.

4. The estimated net proceeds from the Rights Issue is calculated based on 4,072,156,235 Rights Shares for Scenario I or 5,223,254,145 Rights Shares for Scenario II to be issued at the subscription price of HK$0.12 per Rights Share, after deduction of the estimated related expenses of approximately HK$14,350,000 and HK$17,790,000 respectively.

5. The number of Shares used for the calculation of unaudited consolidated net tangible assets per Share is 8,144,312,473 as at the Latest Practicable Date. Details of the movement in number of Shares from 30 September 2007 up to the Latest Practicable Date is as follows:

	No. of Shares
At 30 September 2007	6,519,312,473
Conversion of convertible notes	1,625,000,000
At the Latest Practicable Date	8,144,312,473

6. The unaudited pro forma consolidated net tangible assets per Share after the Capital Reorganization and Rights Issue is calculated based on (a) 4,886,587,482 Adjusted Shares for Scenario I which comprises 814,431,247 Adjusted Shares in issue upon the Capital Reorganization becoming effective but before the Rights Issue and 4,072,156,235 Rights Shares expected to be issued on the completion of the Capital Reorganization and the Rights Issue, or (b) 6,267,904,974 Adjusted Shares for Scenario II which comprises 1,044,650,829 Adjusted Shares in issue upon the Capital Reorganization becoming effective but before the Rights Issue and 5,223,254,145 Rights Shares expected to be issued on the completion of the Capital Reorganization and the Rights Issue.

7. This unaudited pro forma adjusted consolidated net tangible assets does not take into account the increases in net tangible assets arising from (i) full conversion of the outstanding Convertible Notes; (ii) exercise of the Options in full; and (iii) full utilization of the Issue Mandate on or before Record Date.

2. 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 accountant 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 circular.

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W.H. TANG & PARTNERS CPA LIMITED

9 January 2008

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

Dear Sirs,

We report on the unaudited pro forma financial information of Freeman Corporation Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") set out on pages 123 to 124 under the heading of "Statement of Unaudited Pro Forma Consolidated Net Tangible Assets of the Group" in Appendix II of the Company's circular dated 9 January 2008 (the "Circular") in connection with the proposed capital reorganization (the "Capital Reorganization") and the proposed rights issue (the "Rights Issue") of the Company on the Main Board of The Stock Exchange of Hong Kong Limited. The unaudited pro forma financial information has been prepared by the directors of the Company (the "Directors") for illustrative purposes only to provide information about how the Capital Reorganization and the Rights Issue might have affected the financial information of the Group as at 30 September 2007. The basis of preparation of the unaudited pro forma financial information is set out on pages 123 to 124 to the Circular.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND REPORTING ACCOUNTANTS

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

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

BASIS OF OPINION

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

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

The unaudited pro forma financial information is for illustrative purpose only, based on the judgements and assumptions of the Directors, and, because of its hypothetical nature, does not provide any assurance or indication that any event will take place in future and may not be indicative of the financial position of the Group as at 30 September 2007 or any future date.

OPINION

In our opinion:

(a) the unaudited pro forma financial information has been properly compiled by the Directors on the basis stated;

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

(c) the adjustments are appropriate for the purposes of the unaudited pro forma financial information as disclosed pursuant to paragraph 29(1) of Chapter 4 of the Listing Rules.

Yours faithfully,

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

TANG Wai Hung
Practising Certificate Number P03525

1. RESPONSIBILITY STATEMENT

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

2. SHARE CAPITAL

The authorised and issued share capital of the Company as at the Latest Practicable Date and immediately following completion of the Rights Issue (assuming no Options are exercised, no conversion of the outstanding Convertible Notes and the Issue Mandate is not utilised on or before the Record Date) were as follows:

Authorised:		*HK$*
50,000,000,000	Shares of HK$0.1 each	5,000,000,000.0
Issued and to be issued:		
8,144,312,473	Shares in issue as the Latest Practicable Date	814,431,247.3
814,431,247	Adjusted Shares in issue immediately after the Capital Reorganisation becoming effective	81,443,124.7
4,072,156,235	Rights Shares to be allotted and issued under the Rights Issue	407,215,623.5
4,886,587,482	Adjusted Shares in issue immediately after completion of the Rights Issue	488,658,748.2

All of the Rights Shares to be issued will rank pari passu in all respect with each other, including, in particular, as to dividends, voting rights and capital, and with all the Adjusted Shares in issue as at the date of allotment and issue of the Rights Shares. The Rights Shares to be issued will be listed on the Stock Exchange.

No part of the share capital or any other securities of the Company is listed or dealt in on any stock exchange other than the Stock Exchange and no application is being made or is currently proposed or sought for the Shares or Rights Shares or any other securities of the Company to be listed or dealt in on any other stock exchange.

As at the Latest Practicable Date, (i) there were Options to subscribe for an aggregate of 540,000,000 Shares outstanding; and (ii) Convertible Notes in the principal amount of HK$55 million outstanding and carrying rights to convert into 458,333,333 Shares at a conversion price of HK$0.12 per Share (subject to adjustment). Save for the above, the Company has no derivatives, options, warrants, conversion rights or other similar rights which are convertible or exchangeable into Shares.

Save as disclosed above, the Company did not have any other options, warrants or other convertible securities or rights affecting the Shares and no capital of any member of the Group is under option, or agreed conditionally or unconditionally to put under option as at the Latest Practicable Date.

3. DISCLOSURE OF INTERESTS 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 contained in 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 number of Shares	Approximate percentage of shareholding
Yang Fan Shing, Andrew	30,000,000	396,000,000 *(Note 1)*	2,000,000	428,000,000	5.26% *(Note 2)*
Kwok Wai Ming	38,900,000	–	–	38,900,000	0.48% *(Note 2)*

(ii) Short positions in the Shares

Name of Director	Capacity	Number of Shares	Approximate percentage of shareholding
Dr. Yang Fan Shing, Andrew	Interest of controlled corporation	200,000,000	2.46% *(Note 2)*

Notes:

1. These Shares represent Shares held by Parkson Group Limited in which Dr. Yang Fan Shing, Andrew, beneficially owns the entire issued share capital.

2. For the purpose of this section, the percentage of shareholding in the Company is calculated on the basis of 8,144,312,473 Shares in issue as at the Latest Practicable Date.

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 10% 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
Willie International Holdings Limited *(Note 1)*	Interest of controlled corporation	520,618,000	6.39% *(Note 6)*
Heritage International Holdings Limited *(Note 2)*	Interest of controlled corporation	408,700,000	5.02% *(Note 6)*
Parkson Group Limited *(Note 3)*	Beneficial owner	396,000,000	4.86% *(Note 6)*
Lui Lai Shim, Regina	Beneficial owner and interest of spouse	428,000,000 *(Note 4)*	5.26% *(Note 6)*
Honeylink Agents Limited	Interest of controlled corporation	5,223,254,145 *(Note 5)*	83.34% *(Note 7)*
Get Nice Holdings Limited	Interest of controlled corporation	5,223,254,145 *(Note 5)*	83.34% *(Note 7)*
Get Nice Incorporated	Interest of controlled corporation	5,223,254,145 *(Note 5)*	83.34% *(Note 7)*
Get Nice Investment Limited	Beneficial owner	5,223,254,145 *(Note 5)*	83.34% *(Note 7)*

Notes:

1. The shares of Willie International Holdings Limited (stock code: 273) are listed on the main board of the Stock Exchange.

2. The shares of Heritage International Holdings Limited (stock code: 412) are listed on the main board of the Stock Exchange.

3. Parkson Group Limited, the entire issued share capital of which is beneficially owned by Dr. Yang Fan Shing, Andrew, is interested in 396,000,000 Shares.

4. These Shares represent the sum of (a) the 2,000,000 Shares currently held by Ms. Liu Lai Shim, Regina, the wife of Dr. Yang Fan Shing, Andrew, an executive Director and Chairman of the Company; (b) 30,000,000 Shares currently held by Dr. Yang Fan Shing, Andrew; and (c) 396,000,000 Shares currently held by Parkson Group Limited in which Dr. Yang Fan Shing, Andrew, beneficially owns the entire issued share capital. Ms. Liu Lai Shim, Regina is deemed to have such interest in the above Shares.

5. These are the Rights Shares which the Underwriter has underwritten in respect of the Rights Shares (assuming all of the Options are exercised, full conversion of the Convertible Notes and full utilization of the Issue Mandate 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. As at the Latest Practicable Date, Get Nice Holdings Limited is owned as to approximately 24.42% by Honeylink Agents Limited in which Mr. Hung Hon Man is the beneficial owner.

6. The percentage of shareholding in the Company is calculated on the basis of 8,144,312,473 Shares in issue as at the Latest Practicable Date.

7. The percentage of shareholding in the Company is calculated on the basis of 6,267,904,974 Adjusted Shares in issue immediately after the Rights Issue (assuming all of the Options are exercised, full conversion of the Convertible Notes and full utilization of the Issue Mandate on or before the Record Date).

(ii) Short positions in the Shares

Name of Shareholder	**Capacity**	**Number of Shares**	**Approximate percentage of shareholding**
Parkson Group Limited	Beneficial owner	200,000,000	2.46% *(Note 1)*
Lui Lai Shim, Regina	Interest of spouse	200,000,000	2.46% *(Note 1)*

Note:

1. The percentage of shareholding in the Company is calculated on the basis of 8,144,312,473 Shares in issue as at the Latest Practicable Date.

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 10% 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 any member of the Group since 31 March 2007, 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 Latest Practicable Date 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. EXPERTS

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

Name	Qualification
Menlo Capital Limited	a licensed corporation under the SFO
Ernst & Young	Certified Public Accountants
Deloitte Touche Tohmatsu	Certified Public Accountants
W.H. Tang & Partners CPA Limited	Certified Public Accountants

As at the Latest Practicable Date, none of the above experts had direct or indirect shareholdings in any member of the Group, or any right to subscribe for or to nominate persons to subscribe for shares in any member of the Group, or any interests, directly or indirectly, in any assets which have been acquired, disposed of or leased to or which are proposed to be acquired, disposed of or leased to any member of the Group since 31 March 2007, the date to which the latest published audited financial statements of the Group were made up.

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

7. SERVICE CONTRACTS

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

8. LITIGATION

As at the 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. 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 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;

(ii) 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;

(iii) 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 was satisfied by the issue of 55,000,000 new shares of the Company;

(iv) 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 a related shareholder loan at a total consideration of HK$128,000,000;

(v) a conditional sale and purchase agreement dated 18 October 2006 entered into between Andregina Limited, Parkson Group Limited, Dr. 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 HK$54,000,000 which was satisfied by the issue of 200,000,000 new shares of the Company;

(vi) 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;

(vii) 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 an initial conversion price of HK$0.25 per share;

(viii) 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;

(ix) 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;

(x) an underwriting agreement dated 23 March 2007 entered into between the Company and the Underwriter relating to an underwriting of not less than 1,236,986,824 rights shares and not more than 1,563,986,824 rights shares at HK$0.12 per share on an fully-underwritten basis;

(xi) a placing agreement dated 21 May 2007 between the Company and the Underwriter relating to a placing of 494,000,000 new shares in the capital of the Company at a price of HK$0.13 per share;

(xii) a sale and purchase agreement date 29 June 2007 entered into between the Company and Mr. Chuang Yue Chien, Eugene relating to the sale and purchase of 100% of the entire issued share capital of Equity Spin Investments Limited ("Equity Spin"), a wholly-owned subsidiary of the Company and the shareholder loan owed by Equity Spin to the Company at a consideration of HK$50,000,000;

(xiii) a placing agreement dated 29 June 2007 entered into between the Company and Chung Nam Securities Limited relating to a placing of 1,086,552, 000 new shares in the capital of the Company at a price of HK$0.182 per share;

(xiv) a conditional placing agreement dated 11 July 2007, a supplemental agreement dated 20 August 2007 and termination deed dated 3 December 2007 entered into between the Company and Chung Nam Securities Limited relating to a placing of redeemable zero coupon convertible notes due in the year 2011 in an aggregate principle amount of up to HK$1,500,000,000 with the initial conversion price of HK$0.12 per share;

(xv) a joint venture agreement dated 3 September 2007 entered into between Freeman Caring Asses Management Limited ("FCAML"), a wholly-owned subsidiary of the Company, and 北京王鼎市場營銷咨詢有限公司 ("JV Partner") relating to the establishment of a sino-foreign equity joint venture company in PRC with registered share capital of

RMB50,000,000 of which FCAML will contribute RMB35,000,000 and the JV Partner will contribute RMB15,000,000, representing 70% and 30% respectively;

(xvi) a sale and purchase agreement dated 22 October 2007 entered into between Freeman Financial Corporation ("FFC"), a wholly-owned subsidiary of the Company, and Evolution Master Fund Ltd. SPC, Segregated Portfolio M relating to the sale and purchase of 20% of the entire issued share capital of Freeman Financial Services Limited, a company wholly-owned by FFC, at a consideration of HK$120,000,000;

(xvii) a deed of settlement dated 29 October 2007 entered into among two subsidiaries of the Company (namely, Cinergy Holdings Limited and Cinergy Financial Services Limited), Dr. Yang Fan Shing, Andrew (the Chairman of the Company), Ms. Yang Wai Yan, Veronica, Ms. Yang Wai Shan, Elsa, (who being directors of Cinergy Holdings Limited and Cinergy Financial Services Limited), Mr. To King Wah, Joseph and Sun Life Hong Kong Limited relating to the settlement of the arbitration proceedings among the above-mentioned parties. Pursuant to this deed of settlement, the Group had paid HK$6.3 million to Sun Life Hong Kong Limited; and

(xviii) the Underwriting Agreement.

10. CORPORATION INFORMATION

Registered Office of the Company	P.O. Box 309 George Town Grand Cayman Cayman Islands British West Indies
Principal place of business of the Company in Hong Kong	8th Floor China United Centre 28 Marble Road North Point Hong Kong
Authorized representatives	Ms. Kwok Wai Ming 8th Floor China United Centre 28 Marble Road North Point Hong Kong
	Mr. Ngai Wai Kin 8th Floor China United Centre 28 Marble Road North Point Hong Kong

Company secretary and qualified accountant	Mr. Ngai Wai Kin, *FCCA*
The Hong Kong branch registrar and transfer office of the Company	Tricor Secretaries Limited 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong
Legal advisers to the Company	*(As to Hong Kong Law)* Richards Butler 20th Floor, Alexandra House 16-20 Chater Road Hong Kong *(As to Cayman Islands Law)* Conyers Dill & Pearman Cricket Square Hutchins Drive Grand Cayman Cayman Islands
Auditors	Ernst & Young *Chartered Accountants* *Certified Public Accountants* 18th Floor Two International Finance Centre 8 Finance Street Central Hong Kong
Principal bankers	Bank of Communications The Bank of East Asia, Limited Chong Hing Bank, Limited

DIRECTORS

Particulars of Directors

Name	Address
Executive Directors	
Dr. Yang Fan Shing, Andrew	8th Floor China United Centre 28 Marble Road North Point Hong Kong

Mr. Kwong Wai Tim, William	8th Floor China United Centre 28 Marble Road North Point Hong Kong
Ms. Kwok Wai Ming	8th Floor China United Centre 28 Marble Road North Point Hong Kong
Ms. Au Shuk Yee, Sue	8th Floor China United Centre 28 Marble Road North Point Hong Kong
Independent Non-executive Directors	
Mr. Chiu Siu Po	2th Floor, 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 Drew 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:

Dr. Yang, Fan Shing, Andrew, aged 66, joined the Company as an executive Director and Chairman of the Company in October 2006. Dr. 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 51, 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 40, 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 58, 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 78, 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.

11. MISCELLANEOUS

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

12. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection during normal business hours at the principal place of business of the Company in Hong Kong at 8th Floor, China United Centre, 28 Marble Road, North Point, Hong Kong from the date of this circular up to and including 31 January 2008:

(a) the memorandum of association and bye-laws of the Company;

(b) the annual reports of the Company for the year ended 31 March 2006 and 31 March 2007 and the interim report of the Company for the six months ended 30 September 2007;

(c) a copy of each circular issued by the Company dated 8 November 2007, 25 September 2007 and 20 July 2007 respectively

(d) the letter of advice from Menlo Capital, the text of which is set out on pages 32 to 42 of this circular;

(e) the letter on the unaudited pro forma financial information of the Group issued by W.H. Tang & Partners CPA Limited set out in appendix II to this circular;

(f) the material contracts disclosed in the paragraph under the heading "Material Contracts" in this Appendix; and

(g) the written consents referred to in the paragraph under the heading "Experts" in this Appendix.

FREEMAN CORPORATION LIMITED
民豐控股有限公司

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

NOTICE IS HEREBY GIVEN that an extraordinary general meeting of Freeman Corporation Limited (the "Company") will be held at 30th Floor, China United Centre, 28 Marble Road, North Point, Hong Kong on Friday, 1 February 2008 at 9:00 a.m. for the purpose of considering and, if thought fit, passing the following resolutions as a special resolution and an ordinary resolution respectively:–

SPECIAL RESOLUTION

1. "**THAT**, conditional upon (i) the Listing Committee of the Stock Exchange granting approval of the listing of and permission to deal in the Adjusted Shares (as defined below); (ii) approval by the Grand Court of Cayman Islands (the "Court") and (iii) compliance with any conditions imposed by the Court and with effect from the date on which those conditions are fulfilled:–

   (A) the issued share capital of the Company as at the date of filing of the order of the Court relating to the Capital Reduction (as defined below) at the Registrar of Companies in the Cayman Islands ("Order Date") be reduced by cancelling paid up capital to the extent of HK$0.09 on each of the Shares in issue as of the date of this resolution (the "Capital Reduction") so that each issued share of HK$0.10 in the capital of the Company shall be treated as one fully paid up share of HK$0.01 in the capital of the Company ("Reduced Share") and any liability of the holders of such shares to make any further contribution to the capital of the Company on each such share shall be treated as satisfied;

   (B) every 10 issued Reduced Shares of HK$0.01 each be consolidated into one Consolidated Share of HK$0.10 ("Adjusted Share") and any fraction of Adjusted Shares arising from the share consolidation shall not be allocated to the holders of the Reduced Shares otherwise entitled thereto but such fractions shall be aggregated and be sold for the benefit of the Company ("Share Consolidation");

   (C) the credit arising from the Capital Reduction be applied towards cancelling the accumulated deficit of the Company with the balance to be transferred to the distributable capital reduction reserve account of the Company;

(D) all of the Adjusted Shares resulting from the Capital Reduction shall rank pari passu in all respects and have the rights and privileges and be subject to the restrictions contained in the Company's articles of association; and

(E) the directors of the Company be and are hereby authorised generally to do all things they may consider appropriate and desirable to effect and implement the Capital Reduction, Share Consolidation and application of credit arising from the Capital Reduction (together with "Capital Reorganisation")."

ORDINARY RESOLUTION

2. "**THAT** conditional upon the Capital Reorganisation referred to in resolution 1 of the notice convening this meeting ("Resolution 1") becoming effective and on the obligations of Get Nice Investment Limited (the "Underwriter") becoming unconditional under the underwriting agreement dated 3 December 2007 (as amended by a supplemental agreement dated 4 December 2007) (the "Underwriting Agreement") between the Company and the Underwriter:–

(i) the issue of not less than 4,072,156,235 and not more than 5,223,254,145 Adjusted Shares as defined in Resolution 1 ("Rights Shares") pursuant to an offer by way of rights to holders of shares in the Company at HK$0.12 per Rights Share (the "Rights Issue") in the proportion of five Rights Shares for every one share held by holders of shares (the "Shareholders") whose names appear on the register of members of the Company on 2 July 2008 (or such other date as the Underwriter may be agree in writing with the Company) (the "Record Date") other than those Shareholders whose addresses on the register of members of the Company are outside Hong Kong on the Record Date and whom the Directors, based on legal opinions provided by legal advisers, consider it necessary or expedient not to offer the Rights Issue to such Shareholders on account either of the legal restrictions under the laws of the relevant place or the requirements of the relevant regulatory body or stock exchange in that place (the "Non Qualifying Shareholders"), on and subject to the terms and conditions set out in a circular to the Shareholders in respect of the Rights Issue dated 9 January 2008 (the "Circular") (a copy of which having been produced to this meeting and marked "A" and initialled by the chairman of the meeting for the purpose of identification) and on such other terms and conditions as may be determined by the directors of the Company be and is hereby approved provided that (i) fractional entitlements shall not be issued but shall be aggregated and sold if premium net of expenses could be obtained for the benefit of the Company; (ii) no Rights Shares shall be offered to Non Qualifying Shareholders and the Rights Shares which would otherwise have been offered to them shall be sold if a premium net of expenses is obtained and to the extent that such rights can be sold, the net proceeds of such sale (after deducting the expenses of sale) be distributed to the Non Qualifying Shareholders pro rata to their holding of shares provided further that individual amounts of HK$100 or less shall be retained for the benefit of the

Company; and (iii) to the extent that the Rights Shares referred to in (i) and (ii) above are not sold as aforesaid, such Rights Shares together with any Rights Shares provisionally allotted but not accepted shall be offered for application under forms of application for excess Rights Shares; and

(ii) any one director of the Company be and is hereby authorised to issue and allot the Rights Shares on terms as set out in the Circular and to do all such acts and things, to sign and execute all such further documents and to take such steps as the directors of the Company may in their absolute discretion consider necessary, appropriate, desirable or expedient to give effect to or in connection with the Rights Issue and any of the transactions contemplated thereunder."

By order of the Board
Kwong Wai Tim, William
Managing Director

Hong Kong, 9 January 2008

Notes:

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

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

3. The instrument appointing a proxy and the power of attorney or other authority, if any, under which it is signed or a notarially certified copy of that power or authority must be deposited at the Company's share registrar in Hong Kong, Tricor Secretaries Limited, at 26/F., Tesbury Centre, 28 Queen's Road East, Hong Kong not less than 48 hours before the time for holding the meeting or adjourned meeting or poll (as the case may be) at which the person named in such instrument proposes to vote, and in default the instrument of proxy shall not be treated as valid.

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

5. A form of proxy for use at the extraordinary general meeting is enclosed herewith.