



**FREEMAN
CORPORATION
LIMITED**

HK stock code : 279

Interim Financial Report	2
Condensed Consolidated Income Statement	2
Condensed Consolidated Balance Sheet	3
Condensed Consolidated Statement of Changes in Equity	4
Condensed Consolidated Cash Flow Statement	5
Notes to the Condensed Financial Statements	6
Interim Dividend	25
Interim Results	25
Operations Review	25
Financial Review	26
Business Prospects	28
Employees and Remuneration Policy	28
Share Option Scheme	29
Directors' Interests and Short Positions in Shares, Underlying Shares and Debentures	30
Directors' Rights to Acquire Shares or Debentures	30
Interests and Short Positions of Shareholders Discloseable under the SFO	31
Purchase, Sale or Redemption of the Company's Listed Securities	32
Audit Committee	32
Corporate Governance	32

INTERIM FINANCIAL REPORT

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

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30th September, 2006

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

CONDENSED CONSOLIDATED BALANCE SHEET

At 30th September, 2006

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

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30th September, 2006

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

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30th September, 2006

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

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

For the six months ended 30th September, 2006

1. BASIS OF PREPARATION

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

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

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

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

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

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

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

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

¹ Effective for annual periods beginning on or after 1st January, 2007.

² Effective for annual periods beginning on or after 1st May, 2006.

³ Effective for annual periods beginning on or after 1st June, 2006.

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

3. TURNOVER

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

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

4. SEGMENT INFORMATION

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

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

4. SEGMENT INFORMATION (Continued)

Segment information about these businesses is presented below:

Business Segments

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

4. SEGMENT INFORMATION (Continued)

Business Segments (Continued)

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

5. (LOSS)/PROFIT FROM OPERATIONS

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

6. TAXATION

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

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

7. DIVIDEND

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

8. LOSS PER SHARE

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

Diluted Earnings Per Share

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

9. INVESTMENT PROPERTIES

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

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

10. PROPERTY, PLANT AND EQUIPMENT

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

11. AVAILABLE-FOR-SALE INVESTMENTS

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

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

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

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

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

12. LOANS RECEIVABLE

	30.9.2006 HK\$'000 (Unaudited)	31.3.2006 HK\$'000 (Audited)
Floating rate loans receivable	336,232	236,954
Less: Impairment	(118,752)	-
	217,480	236,954
The loans receivable are repayable as follows:		
Within one year	217,480	124,054
More than one year, but not exceeding two years	-	112,900
More than two years, but not exceeding three years	-	-
	217,480	236,954
Less: Amount due within one year shown under current assets	(217,480)	(124,054)
Amount due over one year	-	112,900

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

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

13. TRADE AND OTHER RECEIVABLES

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

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

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

14. SHARE CAPITAL

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

14. SHARE CAPITAL (Continued)

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

- (a) Pursuant to ordinary resolutions passed on 4th August, 2005, the following changes in the Company's share capital took place:
- a share consolidation on the basis that every twenty shares of HK\$0.01 each in the issued and unissued share capital of the Company being consolidated into one consolidated share of HK\$0.20 each ("Consolidated Share") was carried out ("Share Consolidation"). The authorised share capital of the Company remained at HK\$2,000,000,000, but was divided into 10,000,000,000 shares of HK\$0.20 each;
 - pursuant to a placing agreement entered into on 13th June, 2005, the Company issued 20,000,000 Consolidated Shares of HK\$0.20 each after the Share Consolidation at HK\$0.54 per share. The net proceeds of the placement of HK\$10,438,000 was used for additional working capital of the Group.
- (b) Pursuant to a placing agreement entered into on 1st December, 2005, the Company issued 44,000,000 Consolidated Shares of HK\$0.20 each after the Share Consolidation at HK\$0.670 per share. The net proceeds of the placement of HK\$29,038,000 was used for additional working capital of the Group.
- (c) Pursuant to a placing agreement entered into on 30th December, 2005, the Company issued 250,000,000 Consolidated Shares of HK\$0.20 each after the Share Consolidation at HK\$0.20 per share. The net proceeds of the placement of HK\$48,276,000 was used for additional working capital of the Group.
- (d) Pursuant to a placing agreement entered into on 30th December, 2005, the Company issued 150,000,000 Consolidated Shares of HK\$0.20 each after the Share Consolidation at HK\$0.20 per share. The net proceeds of the placement of HK\$29,325,000 was used for additional working capital of the Group.

14. SHARE CAPITAL (Continued)

- (e) On 13th February, 2006, certain eligible employees have exercised its share options totaling 12,000,000 shares of HK\$0.244 each per share. The net proceeds of the exercise of shares of HK\$2,928,000 was used for additional working capital of the Group.
- (f) On 30th December, 2005, the Company entered into a placing agreement with a placing agent on a best effort basis for the placing of 750,000,000 shares at a price of HK\$0.20 per share.

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

- (g) Pursuant to the special resolutions passed on 11th May, 2006, the Company underwent a capital reorganisation which included the followings:
 - the nominal value of all the issued shares be reduced from HK\$0.20 each to HK\$0.10 each by (i) canceling HK\$0.10 paid up on each issued shares by way of reduction of capital; (ii) canceling the unissued shares in the authorised share capital of the Company and (iii) increasing the authorised share capital of the Company by creating new shares of HK0.10 each equivalent to the same number of the unissued share cancelled under (ii);
 - the credit arising from such reduction be applied towards canceling the accumulated losses of the Company in the amount of HK\$485,000,000 as shown in the unaudited financial statements of the Company for the six months ended 30th September, 2005; and
 - the sums standing to the credit of the share premium account of the Company in the amount of HK\$327,000,000 as shown in the unaudited financial statements of the Company for the six months ended 30th September, 2005 be cancelled and the credit arising thereupon be applied to cancel the balance of the accumulated losses of the Company.

14. SHARE CAPITAL (Continued)

- (h) On 8th June, 2006, Heritage and the Company entered into an agreement whereby the Company agreed to purchase and Heritage agreed to sell or procure the sale of the Sale Shares for a consideration of HK\$11,000,000 to be satisfied by the issue and allotment of 55,000,000 Consideration Shares at HK\$0.20 per Consideration Share.
- (i) Pursuant to the special resolutions passed on 11th May, 2006 as mentioned in Note (g) and with the sanction of an Order of the Grand Court of the Cayman Islands dated 18th August, 2006, the issued share capital of the Company was reduced from HK\$266,411,240.40 divided into 1,332,056,202 ordinary shares of HK\$0.20 each to HK\$133,205,620.20 divided into 1,332,056,202 ordinary shares of HK\$0.10 each (the "Capital Reorganisation").

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

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

14. SHARE CAPITAL (Continued)

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

Exercise period	Exercise price	30.9.2006 Number	30.9.2005 Number
16.1.2004 to 15.1.2009	HK\$1.20	3,000,000	3,000,000
8.9.2006 to 7.9.2011	HK\$0.155	133,000,000	–
		<u>136,000,000</u>	<u>3,000,000</u>

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

15. SHARE OPTIONS

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

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

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

16. ACQUISITION OF A SUBSIDIARY

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

The net assets acquired in the transaction were as follows:

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

17. DISPOSAL OF SUBSIDIARIES

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

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

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

17. DISPOSAL OF SUBSIDIARIES (Continued)

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

The net assets of Peking Bay at the date of disposal were as follows:

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

18. POST BALANCE SHEET EVENTS

- (a) On 18th October, 2006, the Group entered into a sale and purchase agreement with a third party for the acquisition of the entire share capital in Cinergy Holdings Limited ("Cinergy") and the shareholder's loan, at a consideration of 128,402,593 and 71,597,407 Consolidation Shares of the Company respectively. Cinergy is principally engaged in general and life insurance business and related investment linked financial products. The transaction was completed in November 2006.
- (b) On 18th October, 2006, the Company entered into a placing agreement with a placing agent on a fully underwritten basis for the placing of 66,000,000 new shares at a price of HK\$0.25 per share. The placing was completed in November 2006.
- (c) On 20th November, 2006, the Company entered into a placing agreement with a placing agent for the placing of up to a principal amount of HK\$300,000,000 of which HK\$100,000,000 principal amount of the convertible notes will be placed on a fully underwritten basis; and up to HK\$200,000,000 principal amount of the convertible note will be placed on a best effort basis. The initial conversion price is HK\$0.25 per share and the maturity is the eighteenth month following the date of issue of the convertible notes. The placing has not been completed at the date of issuance of this interim report.
- (d) On 27th November, 2006, the Group entered into a sale and purchase agreement with a third party for the acquisition of a property for a cash consideration of HK\$33,766,040. The transaction has not been completed at the date of issuance of this interim report.

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

INTERIM DIVIDEND

The directors of the Company (the "Directors") have resolved not to declare an interim dividend for the six months ended 30th September, 2006 (1.4.2005 to 30.9.2005: nil).

INTERIM RESULTS

For the six months ended 30th September, 2006, the Group recorded a loss of HK\$105,351,000 compared against a loss of HK\$546,000 for the corresponding period in 2005. Loss per share was HK8.88 cents (1.4.2005 to 30.9.2005: 0.27 cent).

The turnover of the Group, comprising mainly sales of securities and interest income from provision of finance, amounted to HK\$96,241,000 and increased by about 153% when compared with HK\$37,971,000 for the six months ended 30th September, 2005.

OPERATIONS REVIEW

For the period under review, the Group was principally engaged in the businesses of securities, financing, trading, property and investment holding. During the period, the Group had disposed of 55% interest in Mega Victory Limited, a previous subsidiary of the Company which owned the trading arm of the Group, and a profit of approximately HK\$59,836,000 has been recorded thereon. After the disposal, the Group still retains a 45% interest in Mega Victory Limited.

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

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

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

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

FINANCIAL REVIEW

Liquidity, Financial Resources and Capital Structure

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

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

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, 2006, the Group had shareholders' funds of HK\$483,920,000 (31.3.2006: HK\$501,643,000). During the period, the Company had undergone a capital reorganisation which included the reduction of the nominal value of the shares of the Company from HK\$0.20 each to HK\$0.10 each. Moreover, there were also placements of total of 600 million new shares and consideration issue of 55 million new shares by the Company in the period.

Foreign Currency Management

The Group's foreign currency transactions are mostly 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, 2006, available-for-sale investments of approximately HK\$15,840,000 and investments held for trading of approximately HK\$26,789,000 were pledged to a financial institution to secure margin financing of HK\$902,000 provided to the Group and investment properties of total carrying amount of HK\$36,670,000 were pledged to banks to secure loan and credit facilities granted to the Group.

Contingent Liabilities

The Group had no material contingent liabilities at 30th September, 2006.

BUSINESS PROSPECTS

In addition to the existing principal business of the trading of securities, provision of finance, property holding and investment holding, the Group has expanded its financial coverage during the period through the acquisition of further interest in a financial services group, Hennabun Management International Limited ("HMIL"), which will become a subsidiary of the Company after completion of the necessary procedures and approval by the regulatory bodies. HMIL, through its subsidiaries, is engaged in investment holding, provision of financial services including securities brokerage, commodity trading, money lending, margin financing and corporate finance advisory as well as proprietary trading and direct investment.

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

EMPLOYEES AND REMUNERATION POLICY

As 30th September, 2006, the Group employed about 20 staff members including directors of the Company. Staff costs incurred for the period, including directors' remuneration, were HK\$3,755,000 (1.4.2005 to 30.9.2005: HK\$3,072,000).

It is the remuneration policy of the Group to reward its employees with reference to their qualifications, experience and work performance as well as to market benchmarks. Remuneration packages, including the grant of share options, are structured to motivate individual performance and contributions to the Group.

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 2005/2006 Annual Report.

During the period, a total of 133,580,000 share options were granted under the 2002 Scheme of which 580,000 share options had been exercised.

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

	Date of grant	Exercisable period	Subscription price per share	Number of share options				Percentage of the Company's issued share capital at 30.9.2006
				Outstanding at 30.9.2005	Granted during the period	Exercise during the period	Outstanding at 30.9.2006	
Kwong Wai Tim, William (Director)	16.1.2004	16.1.2004 to 15.1.2009	1.20	1,500,000	-	-	1,500,000*	0.11%
Lai Ming Wai (Note) (Director)	16.1.2004	16.1.2004 to 15.1.2009	1.20	1,500,000	-	-	1,500,000*	0.11%
Employees	25.8.2006	25.8.2006 to 24.8.2011	0.155	-	580,000	(580,000)	-	-
	8.9.2006	8.9.2006 to 7.9.2011	0.155	-	100,000,000	-	100,000,000	7.50%
Business partners	8.9.2006	8.9.2006 to 7.9.2011	0.155	-	33,000,000	-	33,000,000	2.48%
				<u>3,000,000</u>	<u>133,580,000</u>	<u>(580,000)</u>	<u>136,000,000</u>	

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

Note: Mr. Lai Ming Wai resigned from the role of a Director on 15th August, 2006 and the share options held by him were lapsed in November 2006.

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

At 30th September, 2006, the interests of the directors and their associates in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register required to be kept by the Company under Section 352 of the SFO or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers in the Rules Governing the Listing of the Securities on the Stock Exchange (the "Listing Rules") were as follows:

Name of director	Capacity	Number of ordinary shares held	Percentage of the Company's issued share capital
Au Shuk Yee, Sue	Beneficial owner	1,500,000	0.11%

The interests stated above represent the directors' interests in the shares of the Company, the directors' interests in the share options of the Company are disclosed in the section headed "Share Option Scheme" above.

Save as disclosed above, at 30th September, 2006, none of the directors nor their associates had any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations as recorded in the register required to be kept under Section 352 of the SFO or which were required to be notified to the Company and the Stock Exchange pursuant to the Listing Rules.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed in the section headed "Share Option Scheme" above, at no time during the six months ended 30th September, 2006 was the Company or any of its subsidiaries a party to any arrangements to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debt securities (including debentures) of, the Company or any other body corporate, and none of the directors, or their spouses or children under the age of eighteen, had any right to subscribe for the securities of the Company, or had exercised any such rights during the period.

INTERESTS AND SHORT POSITIONS OF SHAREHOLDERS DISCLOSEABLE UNDER THE SFO

At 30th September, 2006, the register of shareholders maintained by the Company pursuant to Section 336 of the SFO showed that, the following shareholders had notified the Company of relevant interests in the issued share capital of the Company:

Name of shareholder	Capacity	Number of ordinary shares held	Percentage of the Company's issued share capital
Heritage International Holdings Limited	Interest of controlled corporation	130,524,000 (Note 1)	9.80%
Coupeville Limited	Interest of controlled corporation	130,524,000 (Note 1)	9.80%
Dollar Group Limited	Beneficial owner	130,524,000 (Note 1)	9.80%
Chuang Eugene Yue-chien	Beneficiary of a trust	130,272,000 (Note 2)	9.78%
Sunderland Properties Limited	Beneficial owner	130,272,000 (Note 2)	9.78%
Unity Investments Holdings Limited	Beneficial owner	90,418,000	6.78%

Notes:

1. These represent the same parcel of shares. Dollar Group Limited is a wholly-owned subsidiary of Coupeville Limited which is wholly owned by Heritage International Holdings Limited.
2. These represent the same parcel of shares.

Save as disclosed above, at 30th September, 2006, the Company had not been notified by any persons who had interests or short positions in the shares and underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO.

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

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the six months ended 30th September, 2006.

AUDIT COMMITTEE

The condensed financial statements of the Company for the six months ended 30th September, 2006 have not been audited, but have been reviewed by the Audit Committee which comprises all the four independent non-executive directors of the Company. The Audit Committee has reviewed with the management the accounting principles and practices adopted by the Group and discussed internal controls and financial reporting matters including the review of the condensed financial statements for the period.

CORPORATE GOVERNANCE

The Company adopted all the code provisions in the Code on Corporate Governance Practices ("Code") contained in Appendix 14 of the Listing Rules as its own code on corporate governance practices. During the six months ended 30th September, 2006, the Company has complied with the code provisions as set out in the Code and there has been no material deviations from the Code.

The Company has adopted the Model Code set out in Appendix 10 to the Listing Rules as the code of conduct regarding securities transactions by the directors. Having made specific enquiry of all directors, the Company confirmed that in respect of the six months ended 30th September, 2006, all directors have complied with the required standard set out in the Model Code.

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

Hong Kong, 28th December, 2006