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# **FREEMAN CORPORATION LIMITED**

## **民豐控股有限公司**

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 279)**

### **MAJOR TRANSACTION PARTIAL DISPOSAL OF INTEREST IN A SUBSIDIARY AND RESUMPTION OF TRADING**

On 17 July 2006, the Vendor, a wholly-owned subsidiary of the Company, and the Purchaser entered into the Agreement whereby the Vendor agreed to sell and the Purchaser agreed to purchase its rights, title and interest in the Sale Shares and the Sale Loan.

The Transaction contemplated under the Agreement constitutes a major transaction for the Company under the Listing Rules and is therefore subject to the approval of Shareholders at the EGM. A circular setting out the details of the Transaction together with a notice of the EGM will be despatched to the Shareholders pursuant to Chapter 14 of the Listing Rules accordingly.

At the request of the Company, trading in the shares of the Company on the Stock Exchange was suspended with effect from 9:30 a.m. on 17 July 2006 pending the release of this announcement. Application has been made by the Company for the resumption of trading in the shares of the Company on the Stock Exchange with effect from 9:30 a.m. on 25 July 2006.

#### **TERMS OF THE AGREEMENT**

- Date: 17 July 2006
- Parties:
- (i) the Vendor
  - (ii) the Purchaser
  - (iii) the Guarantor
- Terms: Subject to satisfaction of the Conditions described below:
- (i) the Vendor agreed to sell and the Purchaser agreed to purchase all the Vendor's rights, title and interests in the Sale Shares and the Sale Loan for a consideration of HK\$128,000,000; and
  - (ii) the consideration shall be satisfied wholly by cash in the following manner:
    - (a) a non-refundable deposit of HK\$8,000,000 has been paid by the Purchaser upon execution of the Agreement;
    - (b) HK\$40,000,000 will be paid upon Completion; and
    - (c) the balance of the Consideration in the amount of HK\$80,000,000 will be paid by two equal instalments on dates falling 3 months and 6 months from the date of the Completion respectively.
  - (iii) Upon Completion, the Guarantor will guarantee the Vendor the payment by the Purchaser of that remaining two instalments of HK\$80,000,000 totally.

The consideration was fixed after arm's length negotiation by the Vendor and the Purchaser having taken into account of the net assets value of the Sale Shares and the amount of the Sale Loan.

The consideration is to be used by the Company for general working capital.

Conditions: Completion of the Agreement is conditional upon the following conditions (the “Conditions”):

- (i) approval of the Agreement and the transactions contemplated thereunder by Shareholders at the EGM pursuant to the Listing Rules;
- (ii) the Purchaser having completed and being satisfied with the results of the legal and financial due diligence on Mega Victory, Hansom Trading and Hansom Shenzhen; and
- (iii) all necessary approvals and consents having being granted or obtained under the relevant laws and regulations for the entering into of the Agreement and the transactions contemplated thereunder (if any).

If the conditions are not satisfied or waived on or before 5:00 p.m. on 25 September 2006 (or such later date as the Vendor and the Purchaser may agree) then the Agreement shall terminate and the parties shall have no further claims against each other save for claims in respect of antecedent breaches.

Completion: Completion shall take place on the third business day after the satisfaction of the Conditions, or such other date as the parties may agree.

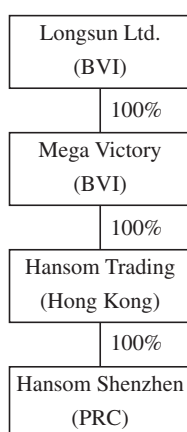
Currently, two directors of Mega Victory are being nominated by the Vendor. After the completion, the Vendor will not be entitled to nominate by director of Mega Victory.

## GENERAL INFORMATION

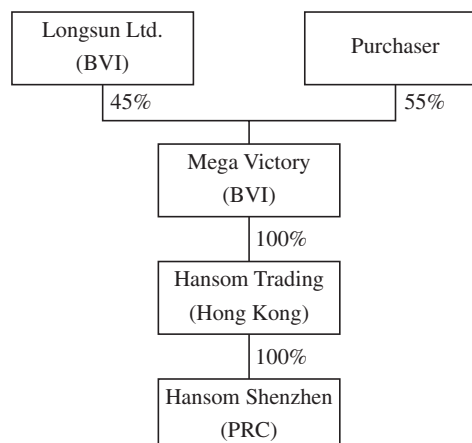
To the best of the Directors’ knowledge, information and belief having made all reasonable enquiries, the Purchaser and its ultimate beneficial owners are third parties independent of the Company and Connected Persons of the Company.

Mega Victory is a sole purpose investment holding vehicle. The Sale Shares represent 55% of the entire issued share capital of Mega Victory as at the date hereof. After Completion, the Company will hold 45% of the issued share capital of Mega Victory and Mega Victory will cease to be a subsidiary of the Company.

### Before completion of the Transaction



### After completion of the Transaction



The businesses currently carried out by Hansom Trading and Hansom Shenzhen were developed by the Group itself and not acquired from any third party. To streamline the structure of the Group for the subject disposal, Mega Victory was set up as an investment holding company by the Group by acquiring a shelf company on 11 July 2006 at nominal value. Mega Victory has no actual business activities apart from holding the 100% interest in Hansom Trading. Hansom Trading commenced business in September 2004 and currently wholly-owns Hansom Shenzhen which commenced business in June 2005. They have been and are still engaged in the trading of general merchandises including electronic products and raw materials including iron ore, which is the non-core business of the Group.

Hansom Shenzhen has contemplated to engage in the business of trading of steel products and entered into a contract with a manufacturer and supplier of steel products in the PRC. Pursuant to the contract, Hansom Shenzhen made a prepayment of RMB221.1 million (approximately HK\$212.6 million) in July 2005 to the PRC partner as deposit to be applied towards future purchase of steel products from that partner. Any balance of the prepaid sum can be refunded to Hansom Shenzhen in accordance with the contract after its expiry on 10 July 2006. Hansom Shenzhen has explored various possibilities in relation to the ongoing operation of the trading arm since April 2006, including but not limited to the recovery of part or partial of such deposit, to renegotiate of a new trading schedule and to locate any well connected partners in this field. The principal asset of Hansom Shenzhen consists of such prepayment of RMB221.1 million (approximately HK\$212.6 million). As a commercial decision after taking into account of various factors including the change in the steel products market conditions and the results of its marketing efforts at the relevant time, Hansom Shenzhen, upon considering all factors, has not utilized its prepayment to purchase steel products from that partner and the amount of prepayment remains unchanged.

Up to the date hereof, the prepayment has not been released by the PRC partner. The Board considers the full refund of the prepayment will cast great difficulties in commercial senses due to the fact that Hansom Shenzhen had not placed any order during the subject period under the contract and the PRC partner has reserved the subject goods to Hansom Shenzhen during the relevant period. After Completion, the management decisions as to how to negotiate with the PRC partner will instead be a matter for the Purchaser and the Group's future course of actions to deal with the remaining 45% interest in Mega Victory will depend on the coming circumstances. To the best of the Directors' knowledge, information and belief having made all reasonable enquires, the partner in the PRC and its ultimate beneficial owners are third parties independent of the Company and Connected Persons of the Company. The major assets of Hansom Trading consist of trade deposits and accounts receivable of HK\$8 million and HK\$13.9 million respectively.

The Stock Exchange has indicated that the prepayment of RMB221.1 million made by Hansom Shenzhen to the PRC partner in July 2005 and the entering into of the contract between Hansom Shenzhen and the PRC partner in July 2005 as referred to in the above paragraph constituted an advance to an entity under Rule 13.13 of the Listing Rules and/or a notifiable transaction under Chapter 14 of the Listing Rules. The Board will make further announcements if and as required by the Listing Rules.

Other than the Loan from the Vendor and the loan to Hansom Shenzhen to finance the above prepayment, both of which are of approximately HK\$231,160,000, Mega Victory does not have any material assets or liabilities.

Based on the current unaudited management account of Mega Victory, Hansom Trading and Hansom Shenzhen, the consolidated net assets of Mega Victory, Hansom Trading and Hansom Shenzhen are approximately HK\$3,260,000. As such, the net assets value of the Sales Shares is approximately HK\$1,793,000 representing 55% of such consolidated net assets value. Based on the consideration of HK\$128,000,000 and the net assets value of the Sale Shares and that the Purchaser is acquiring the Sale Loan at its face value, the Group will record a loss on disposal of approximately HK\$934,000 in its income statement upon Completion.

The Company, through various subsidiaries, is engaged in trading of goods, provision of finance, trading of securities, property holding and investment activities.

The Purchaser is an investment holding company established for the purpose acquiring interest in Mega Victory and is intended to be engaged in the PRC steel market.

#### **REASONS FOR AND BENEFITS OF THE TRANSACTION**

The Company is endeavouring to further develop the businesses of provision of finance, trading of securities and investment activities. As disclosed in the Company's circular dated 16 February 2006, the Company has since the end of December 2005 been investigating a new investment opportunity in a financial service group. Subsequently in its circular dated 18 April 2006, the Company announced that it has been constantly reviewing its existing businesses and possible new business opportunities, and the Company has decided that it is most likely that the investment into the financial services group will become more promising than that of in the manufacturing, travel and trading sectors in the PRC (especially in the Inner Mongolia region). The Company is endeavouring to further develop the businesses of provision of finance, trading of securities and investment activities. As such, the trading business will no longer be a core business of the Group. The Transaction enables the Company to dispose of its non-core business as part of the Company's strategy to streamline its business and to recover major part of the prepayment currently held by the PRC partner. The net proceeds from the Transaction will be included in the general working capital which may then be applied for any future investments of the Group whenever such opportunities arise. The proposed shareholding structure of Mega Victory after the partial disposal was a result of commercial negotiation and the Purchaser agreed to purchase 55% of the interests in Mega Victory. Upon Completion, the Company shall either hold the remaining 45% interest for any potential trading profit or further realise the interest and/or any such other arrangements if the circumstances or opportunities arise.

The Directors are of the view that the terms of the Transaction are fair and reasonable and in the interests of Shareholders as a whole.

#### **LISTING RULES IMPLICATION**

The Transaction contemplated under the Agreement constitutes a major transaction under the Listing Rules and is therefore subject to the approval of the Shareholders at the EGM. A circular setting out the details of the Transaction together with a notice of the EGM will be despatched to the Shareholders pursuant to the Listing Rules accordingly.

#### **RESUMPTION OF TRADING**

At the request of the Company, trading in the shares of the Company on the Stock Exchange was suspended with effect from 9:30 a.m. on 17 July 2006 pending the release of this announcement. Application has been made by the Company for the resumption of trading in the shares of the Company on the Stock Exchange with effect from 9:30 a.m. on 25 July 2006.

#### **DEFINITIONS**

The following terms are used in this announcement with the meanings set opposite them:

“Agreement”	the conditional sale and purchase agreement dated 17 July 2006 entered into between the Vendor and the Purchaser in relation to the Transaction;
“Associates”	has the meaning ascribed thereto in the Listing Rules;
“Board”	the Board of Directors;

“Company”	Freeman Corporation Limited, a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the Stock Exchange;
“Completion”	completion of the Transaction under the Agreement;
“Connected Person(s)”	the meaning ascribed thereto in the Listing Rules;
“Directors”	the Directors of the Company;
“EGM”	the extraordinary general meeting of the Company to be held to approve the Agreement and transactions contemplated thereunder;
“Group”	the Company and its subsidiaries;
“Guarantor”	the ultimate beneficial owner of the Purchaser, being a third party independent of the Company and Connected Persons of the Company;
“Hansom Shenzhen”	恒盛東方進出口(深圳)有限公司 Hansom Eastern Import & Export (Shenzhen) Limited, a company incorporated in the People’s Republic of China on 8 April 2005;
“Hansom Trading”	Hansom Eastern International Trading (Group) Limited, a company incorporated in Hong Kong on 11 November 2002;
“HK\$”	the legal currency of Hong Kong;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“Loan”	an interest free shareholder loan made by the Vendor to Mega Victory in the amount of HK\$231,165,131.75 as at 10 July 2006 which is repayable on demand;
“Mega Victory”	Mega Victory Limited, a company incorporated in the British Virgin Islands on 8 June 2006;
“PRC”	The People’s Republic of China;
“Purchaser”	Upperskill Limited, a company incorporated in the British Virgin Islands;
“RMB”	the lawful currency of PRC;
“Sale Loan”	55% of the amount of the Loan to be assigned from the Vendor to the Purchaser pursuant to the Agreement;
“Sale Shares”	55 shares of US\$1.00 each, representing 55% of the entire issued share capital of Mega Victory as at the date hereof;
“Shareholders”	shareholders of the Company;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Transaction”	the proposed sale of the Sale Shares and the Sale Loan by the Vendor to the Purchaser pursuant to the Agreement; and
“Vendor”	Longsun Ltd., a wholly-owned subsidiary of the Company.

By order of the Board  
**Freeman Corporation Limited**  
**Lai Ming Wai**  
*Executive Director*

Hong Kong, 24 July 2006

As at the date of this announcement, the Board of the Company comprises five executive directors, namely, Ms Yau Shum Tek, Cindy (Chairman), Mr Kwong Wai Tim, William (Managing Director), Mr Lai Ming Wai, Ms Kwok Wai Ming and Ms Au Shuk Yee, Sue, and four independent non-executive directors, namely, Mr Lo Ming Chi, Charles, Mr Chiu Siu Po, Ms Hui Wai Man, Shirley and Mr Gary Drew Douglas.