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## **THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION**

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

**If you have sold or transferred** all your shares in **Freeman Corporation Limited**, you should at once hand this circular and the accompanying form of proxy to the purchaser or the 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.

The Stock Exchange of Hong Kong Limited takes no responsibility for the contents of this circular, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this circular.

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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)**

### **PLACING OF CONVERTIBLE NOTES**

### **REFRESHMENT OF GENERAL MANDATES TO ISSUE AND ALLOT SHARES AND REPURCHASE SHARES**

### **REFRESHMENT OF SCHEME MANDATE LIMIT OF SHARE OPTION SCHEME**

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A letter from the Independent Board Committee is set out on page 20 of this circular and a letter from Menlo Capital Limited to the Independent Board Committee and the Independent Shareholders is set out on pages 21 to 27 of this circular.

A notice convening the extraordinary general meeting of Freeman Corporation Limited to be held at 9:00 a.m. on Friday, 29 December 2006 at 30/F, China United Centre, 28 Marble Road, North Point, Hong Kong is set out on pages 31 to 34 of this circular. Whether or not you are able to attend the extraordinary general meeting, you are requested to complete and return the accompanying form of proxy in accordance with the instructions printed thereon to the branch share registrar of the Company in Hong Kong, Secretaries Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong as soon as possible but in any event not less than 48 hours before the time appointed for the holding of the extraordinary general meeting or any adjournment thereof. Completion of a form of proxy will not preclude you from attending and voting at the extraordinary general meeting or any adjournment thereof in person if you so wish.

13 December 2006

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## DEFINITIONS

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*In this circular, the following expressions have the following meanings, unless the context requires otherwise:*

“Announcement”	the announcement issued by the Company dated 22 November 2006 in relation to, among other things, the placing of the Convertible Notes, refreshment of general mandate to issue and allot Shares and repurchase Shares, and refreshment of scheme mandate limit of the Share Option Scheme
“associate(s)”	has the meaning ascribed thereto under the Listing Rules
“Board”	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 main board of the Stock Exchange
“Conversion Shares”	new Shares which would fall to be issued by the Company upon the exercise of the conversion rights attached to the Convertible Notes, at the then effective conversion price
“Convertible Notes”	a series of zero coupon convertible notes due in the year 2008 in an aggregate principal amount of up to HK\$300 million proposed to be issued by the Company pursuant to the Placing Agreement
“Director(s)”	director(s) of the Company
“EGM”	an extraordinary general meeting of the Company to be held at 9:00 a.m. on Friday, 29 December 2006 at 30/F, China United Centre, 28 Marble Road, North Point, Hong Kong for the purpose of considering and, if thought fit, approving, among other things, the Placing, the New General Mandates and new scheme mandate limit of the Share Option Scheme
“Existing General Mandate”	the general mandate granted to the Directors by the Shareholders at the annual general meeting on 28 August 2006, among other things, to allot, issue and deal with up to 266,411,240 Shares, representing 20% of the then issued share capital of the Company and to repurchase up to 133,205,620 Shares, representing 10% of the then issued share capital of the Company

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## DEFINITIONS

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“Extension Mandate”	the proposed extension of the Issue Mandate to be sought at the EGM to authorise the Directors to issue further Shares equal to the Shares repurchased under the Repurchase Mandate
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Board Committee”	an independent committee of the Board comprising Mr. Chiu Siu Po, Ms. Hui Wai Man, Shirley, Mr. Gary Drew Douglas, and Mr. Peter Temple Whitlam established by the Board to advise the Independent Shareholders in respect of the Issue Mandate and the Extension Mandate
“Independent Financial Adviser” or “Menlo”	Menlo Capital Limited, a licensed corporation within the meaning of the SFO for carrying on type 6 (advising on corporate finance) regulated activity under the SFO and the independent financial adviser to the Independent Board Committee and the Independent Shareholders
“Independent Shareholders”	Shareholders other than the Directors, Mr. Yang and his associates (including his wife and Parkson Group Limited), Ms. Kwok Wai Ming and Ms. Au Shuk Yee, Sue and their respective associates
“Initial Conversion Price”	the initial conversion price of HK\$0.25 per Share (subject to adjustments)
“Issue Mandate”	the mandate proposed to be sought at the EGM to authorize the Directors to allot, issue and deal with Shares not exceeding 20% of the issued share capital of the Company as at the date of the EGM
“Latest Practicable Date”	8 December 2006, being the latest practicable date prior to the printing of this circular for ascertaining information contained in this circular
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange

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## DEFINITIONS

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“Maturity Date”	the date on the eighteenth month following the date of issue of the Convertible Notes
“Mr. Yang”	Yang Fan Shing, Andrew, the Chairman and executive Director of the Company
“New General Mandates”	the Issue Mandate, Repurchase Mandate and Extension Mandate
“Placee(s)”	any individual, institutional or other professional investor(s) procured by the Placing Agent to subscribe for the Convertible Notes pursuant to the Placing Agent’s obligations under the Placing Agreement
“Placing”	the placing of the Convertible Notes by the Placing Agent pursuant to the Placing Agreement
“Placing Agent”	Taifook Securities Company Limited, a licensed corporation to carry on type 1 (dealing in securities), type 3 (leveraged foreign exchange trading) and type 4 (advising on securities) regulated activities for the purpose of the SFO
“Placing Agreement”	the conditional convertible note placing agreement dated 20 November 2006 entered into between the Company and the Placing Agent in relation to the Placing, subject to the terms and conditions contained therein
“Repurchase Mandate”	the mandate proposed to be sought at the EGM to authorize the Directors to exercise powers of the Company to repurchase Shares on the Stock Exchange not exceeding 10% of the issued share capital of the Company as at the date of the EGM
“SFO”	the Securities and Futures Ordinance (Chapter 571 of The Laws of Hong Kong)
“Share(s)”	fully paid ordinary share(s) of HK\$0.10 each in the issued share capital of the Company, or before the capital reorganisation (as described in the circular issued by the Company dated 18 April 2006), ordinary share(s) of HK\$0.20 each in the then issued share capital of the Company, as the context requires

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## DEFINITIONS

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“Share Option Scheme”	the share option scheme adopted and approved by the Company on 23 August 2002
“Shareholder(s)”	holder(s) of the Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subsequent Events”	certain material transactions completed by the Company subsequent to the financial year ended 31 March 2006, including (i) the placement of 600,000,000 new Shares pursuant to the placing agreement dated 30 December 2005 at a price of HK\$0.20 per placing share; (ii) the acquisition of 53,800,000 Shares representing 6.18% interests in Hennabun Management International Limited at a consideration of HK\$11,000,000 by the issue of certain new Shares pursuant to the acquisition agreement dated 8 June 2006; (iii) the disposal of 55% interest in Mega Victory Limited, a subsidiary of the Company, pursuant to the sale and purchase agreement dated 17 July 2006; (iv) the acquisition of the entire interest in Cinergy Holdings Limited pursuant to the sale and purchase agreement dated 18 October 2006 the consideration being satisfied by the issue of 200,000,000 new Shares; (v) the placement of 66,000,000 Shares pursuant to the placing agreement dated 18 October 2006 at a price of HK\$0.25 per placing Share; and (vi) exercise of certain share options of the Company
“%”	per cent.

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## LETTER FROM THE BOARD

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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)**

*Executive Directors:*

Mr. Yang Fan Shing, Andrew (*Chairman*)  
Mr. Kwong Wai Tim, William (*Managing Director*)  
Ms. Kwok Wai Ming  
Ms. Au Shuk Yee, Sue

*Registered Office:*

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

*Independent non-executive Directors:*

Mr. Chiu Siu Po  
Ms. Hui Wai Man, Shirley  
Mr. Gary Drew Douglas  
Mr. Peter Temple Whitelam

*Principal Place of Business*

*in Hong Kong:*  
31st Floor, China United Centre  
28 Marble Road  
North Point  
Hong Kong

13 December 2006

*To Shareholders of the Company,*

Dear Sir or Madam,

**PLACING OF CONVERTIBLE NOTES  
REFRESHMENT OF GENERAL MANDATES TO ISSUE AND ALLOT SHARES  
AND REPURCHASE SHARES  
REFRESHMENT OF SCHEME MANDATE LIMIT OF SHARE OPTION SCHEME**

**INTRODUCTION**

On 20 November 2006, the Company has entered into the Placing Agreement with the Placing Agent. Pursuant to the Placing Agreement, the Placing Agent agreed to procure subscribers for the Convertible Notes of up to a principal amount of HK\$300 million of which HK\$100 million principal amount of the Convertible Notes will be placed on a fully underwritten basis; and up to HK\$200 million principal amount of the Convertible Notes will be placed on a best effort basis. All the Placees and their respective ultimate beneficial owners will be independent of, not connected with the Company and its connected persons (as defined under the Listing Rules), and not connected persons of the Company.

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## LETTER FROM THE BOARD

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The Board proposes, inter alia, to (i) refresh the general mandates for the Directors to issue and allot and repurchase Shares not exceeding 20% and 10% respectively of the issued share capital of the Company as at the date of the EGM, and to extend the Issue Mandate so that the Directors be given a general mandate to issue further Shares equal to the number of Shares repurchased under the Repurchase Mandate; and (ii) refresh the 10% scheme mandate limit of the Share Option Scheme.

Each of the Issue Mandate and the Extension Mandate is proposed to the Shareholders prior to the Company's next annual general meeting, and therefore, pursuant to Rule 13.36(4) of the Listing Rules, the Issue Mandate and the Extension Mandate will be subject to Independent Shareholders' approval by way of poll at the EGM.

The purpose of this circular is to provide you with further information regarding, among other things, (i) the Placing; (ii) New General Mandates; (iii) refreshment of the scheme mandate limit of the Share Option Scheme; (iv) the recommendation from the Independent Board Committee on the refreshment of the Issue Mandate and the Extension Mandate; (v) the recommendation from the Independent Financial Adviser to the Independent Board Committee and Independent Shareholders on the refreshment of the Issue Mandate and the Extension Mandate; and (vi) the notice convening the EGM.

### **PLACING AGREEMENT**

#### **Date of the Placing Agreement**

20 November 2006

#### **Parties to the Placing Agreement**

- (i) The Company as the issuer; and
- (ii) The Placing Agent

#### **Placing Agent**

The Placing Agent is an independent third party not connected with the Company and its connected persons (as defined under the Listing Rules), and is not a connected person of the Company. The Placing Agent will receive a placing commission of (i) 2.5% on the gross proceeds from the placing, on a fully underwritten basis, of Convertible Notes with a principal amount of HK\$100 million; and (ii) 2% on the gross proceeds from the placing, on a best effort basis, of Convertible Notes with a principal amount of up to HK\$200 million. The abovementioned commission will be payable by the Company upon completion of the Placing.

#### **Placees**

It is expected that the Placing Agent will procure no less than six Placees to subscribe by cash for the Convertible Notes with a principal amount of up to HK\$300 million.

All the Placees and their respective ultimate beneficial owners will be independent of, not connected with the Company and its connected persons (as defined under the Listing Rules), and not connected persons of the Company.



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## LETTER FROM THE BOARD

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### Conditions of the Placing

Completion of the Placing is conditional upon:

- (i) the Listing Committee of the Stock Exchange having granted (either unconditionally or subject only to conditions to which the Company and the Placing Agent do not reasonably object) listing of and permission to deal in the Conversion Shares;
- (ii) the Stock Exchange having approved (either unconditionally or subject only to conditions to which the Company and the Placing Agent do not reasonably object) the issue of the Convertible Notes, or the Company not having received any objection from the Stock Exchange to the issue of the Convertible Notes;
- (iii) the passing by Shareholders in a general meeting of a resolution to approve the Placing Agreement and the issue of the Convertible Notes and the Conversion Shares thereunder in accordance with the Listing Rules;
- (iv) if required, an increase of authorized share capital of the Company to facilitate the issue of the Conversion Shares; and
- (v) the obtaining of all necessary approvals and consents required for the issue of the Convertible Notes and the Conversion Shares thereunder.

If any of the conditions has not been fulfilled by 8 January 2007 (or such later date as the Company and the Placing Agent may agree), the Placing Agreement shall lapse and become null and void and the parties will automatically be released from all obligations thereunder, save for any liability arising out of antecedent breaches.

### Completion

Completion with respect to (i) the HK\$100 million principal amount of Convertible Notes to be placed on a fully underwritten basis shall take place on 12 January 2007 (or such other date as the parties may agree) (the “Underwritten Completion”); and (ii) the HK\$200 million principal amount of Convertible Notes to be placed on a best effort basis shall take place on 31 March 2007 (or such other date the parties may agree).

### Termination of the Placing Agreement

So far as it relates to the Underwritten Completion only, notwithstanding anything contained in the Placing Agreement, if, at any time prior to 9:00 a.m. on the date of the Underwritten Completion, in the reasonable opinion of the Placing Agent the success of the Placing or the business or financial prospects of the Group would or might be adversely affected by:

- (i) any material breach of any of the representations and warranties set out in the Placing Agreement; or

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## LETTER FROM THE BOARD

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- (ii) any of the following events:
- (a) the introduction of any new law or regulation or any change in existing laws or regulations or change in the interpretation or application thereof; or
  - (b) the occurrence of any event, development or change (whether or not local, national or international or forming part of a series of events or changes occurring or continuing before, on and/or after the date hereof and including an event or change in relation to or a development of an existing state of affairs) of a political, military, industrial, financial, economic or other nature, whether or not eiusdem generis with any of the foregoing, resulting in a material adverse change in, or which might be expected to result in a material adverse change in, political, economic or stock market conditions; or
  - (c) the imposition of any moratorium, suspension or material restriction on trading in securities generally or the Company's securities on the Stock Exchange for a period of more than 40 consecutive business days, save for any suspension for clearance of the Announcement or circular in relation to the Convertible Notes; or
  - (d) a change or development involving a prospective change in taxation in Hong Kong or the PRC or the implementation of exchange controls which shall or might materially and adversely affect the Company or its present or prospective shareholders in their capacity as such; or
  - (e) any change or deterioration in the conditions of local, national or international securities markets occurs,

then and in any such case, the Placing Agent may terminate the Placing Agreement without liability to the Company by giving notice in writing to the Company, provided that such notice is received prior to 9:00 p.m. on the date of the Underwritten Completion.

In the event that the Placing Agent terminates the Placing Agreement pursuant to the above mentioned clause, all obligations of each of the parties under the Placing Agreement shall cease and determine and neither party to the Placing Agreement shall have any claim against the other party in respect of any matter arising out of or in connection with the Placing Agreement except for any breach arising prior to such termination.

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## LETTER FROM THE BOARD

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### TERMS OF THE CONVERTIBLE NOTES

The principal terms of the Convertible Notes are summarized as follows:

#### Principal terms

- Principal amount:** HK\$300 million (of which principal amount of HK\$100 million will be placed by the Placing Agent on a fully underwritten basis and HK\$200 million will be placed by the Placing Agent on a best effort basis).
- Initial Conversion Price:** HK\$0.25 per Share, subject to adjustments in certain events including, among other things, share consolidation, share subdivision, capitalization issue, capital distribution and rights issue.
- Interest rate:** 0% per annum.
- Maturity:** The eighteenth month following the date of issue of the Convertible Notes.
- Redemption:** Unless previously converted and cancelled or repaid in accordance with the terms and conditions of the Convertible Notes, the Company will redeem each Convertible Note on the Maturity Date at the redemption amount which is 115% of the principal amount of the Convertible Notes outstanding.
- Transferability:** The Convertible Notes are not transferable without the prior written consent of the Company, except by a transfer to subsidiaries or the holding company of the holder of the Convertible Notes. The Convertible Notes may not be transferred by the holder of the Convertible Notes, without the prior written consent of the Company, to any connected person (as defined under the Listing Rules) of the Company.
- Conversion period:** The holders of the Convertible Notes shall have the right to convert on any business day at any time following the date of issue of the Convertible Notes until the date 7 days before (and excluding) the Maturing Date, the whole or any part (in an amount or integral multiple of HK\$1,000,000) of the outstanding principal amount of the Convertible Notes into Shares at the then prevailing conversion price.
- Mandatory conversion:** If the closing price for each trading day during a consecutive 30 trading days period is equal to or in excess of 150% of the Initial Conversion Price (subject to adjustments) (i.e. HK\$0.375), all the then outstanding Convertible Notes will be deemed to be converted at the then prevailing conversion price.

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## LETTER FROM THE BOARD

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**Voting:** The holders of the Convertible Notes will not be entitled to receive notice of, attend or vote at any meeting of the Company by reason only of it being the holders of the Convertible Notes.

**Listing:** No application will be made for the listing of the Convertible Notes on the Stock Exchange or any other stock exchange. An application has been made by the Company for the listing of, and permission to deal in, the Conversion Shares to be issued as a result of the exercise of the conversion rights attached to the Convertible Notes.

**Ranking:** The Convertible Notes will rank pari passu with all other present and future unsecured and unsubordinated obligations of the Company.

The Conversion Shares to be issued as a result of the exercise of the conversion rights attached to the Convertible Notes will rank pari passu in all respects with all other existing Shares outstanding at the date of conversion of the Convertible Notes.

### **Conversion Shares**

Assuming only HK\$100 million Convertible Notes are successfully placed by the Placing Agent, upon full conversion of the Convertible Notes at the Initial Conversion Price, a total of 400,000,000 Conversion Shares will be issued, representing approximately 23.1% of the issued share capital of the Company as at the Latest Practicable Date and approximately 18.8% of the issued share capital of the Company as enlarged by the issue of such Conversion Shares. Assuming all the HK\$300 million Convertible Notes are successfully placed by the Placing Agent, upon full conversion of the Convertible Notes at the Initial Conversion Price, a total of 1,200,000,000 Conversion Shares will be issued, representing approximately 69.3% of the issued share capital of the Company as at the Latest Practicable Date and approximately 40.9% of the issued share capital of the Company as enlarged by the issue of such Conversion Shares at the Initial Conversion Price.

The Company will make appropriate announcements from time to time in the manner as set out in the paragraph headed “Dilution effect on Shareholders” below relating to, among other things, the conversion of the Convertible Notes.

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## LETTER FROM THE BOARD

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### Conversion price

The initial conversion price of HK\$0.25 per Share was arrived at after arm's length negotiation between the Placing Agent and the Company and represents:

- a premium of approximately 1.63% over the closing price of HK\$0.246 per Share as quoted on the Stock Exchange on 17 November 2006, being the last trading day immediately before trading in the Shares was suspended pending the release of the Announcement;
- a discount of approximately 5.30% to the average closing price of HK\$0.264 per Share as quoted on the Stock Exchange for the last 10 trading days up to and including 17 November 2006;
- a premium of approximately 4.60% over the closing price of HK\$0.239 per Share as quoted on the Stock Exchange on the Latest Practicable Date;
- a discount of approximately 13.79% to the net asset value per Share of approximately HK\$0.29 calculated based on the audited net asset value of the Group as at 31 March 2006 and the issued share capital of the Company as at the date of the Latest Practicable Date; and
- a discount of approximately 40.5% to the net asset value per Share of approximately HK\$0.42 calculated based on the audited net asset value of the Group as at 31 March 2006 after taken into consideration of certain Subsequent Events and the issued share capital of the Company as at the Latest Practicable Date.

Based on the comparison of the Initial Conversion Price with the recent closing price per Share and the financial position of the Group as illustrated above, the Directors consider the terms of the Convertible Notes, including the Initial Conversion Price, are fair and reasonable and in the interests of the Shareholders as a whole.

### SHAREHOLDING STRUCTURE

Set out below is a table showing (i) the Company's shareholding structure as at the Latest Practicable Date; (ii) the Company's shareholding structure upon completion of the placing of HK\$100 million principal amount of the Convertible Notes only and full conversion of such Convertible Notes at the Initial Conversion Price; and (iii) the Company's shareholding structure upon completion of the placing of the total HK\$300 million principal amount of the Convertible Notes and full conversion of such Convertible Notes at the Initial Conversion Price, assuming that all the Convertible Notes in an aggregate principal amount of HK\$300

## LETTER FROM THE BOARD

million are successfully placed by the Placing Agent. The table assumes there will be no change to the existing issued share capital of the Company after the Latest Practicable Date save as mentioned above.

	As at the Latest Practicable Date		Upon completion of the placing of Convertible Notes with principal amount of HK\$100 million and full conversion of such Convertible Notes at the Initial Conversion Price		Upon completion of the placing of all Convertible Notes with principal amount of HK\$300 million and full conversion of such Convertible Notes at the Initial Conversion Price	
Parkson Group Limited (Note 1)	200,000,000	11.6%	200,000,000	9.4%	200,000,000	6.8%
Radford Capital Investment Limited (stock code: 901) (Note 2)	131,972,000	7.6%	131,972,000	6.2%	131,972,000	4.5%
Heritage International Holdings Limited (stock code: 412) (Note 2)	130,524,000	7.5%	130,524,000	6.1%	130,524,000	4.5%
Directors and their associates (Note 3)	78,028,000	4.5%	78,028,000	3.6%	78,028,000	2.7%
Public	1,191,112,202	68.8%	1,191,112,202	55.9%	1,191,112,202	40.6%
Places	–	0%	400,000,000	18.8%	1,200,000,000	40.9%
<b>Total</b>	<b>1,731,636,202</b>	<b>100.0%</b>	<b>2,131,636,202</b>	<b>100.0%</b>	<b>2,931,636,202</b>	<b>100.0%</b>

Note 1: Mr. Yang beneficially owns the entire issued share capital of Parkson Group Limited.

Note 2: Both of the shares of Radford Capital Investment Limited (stock code: 901) and Heritage International Holdings Limited (stock code: 412) are listed on the main board of the Stock Exchange.

Note 3: Mr. Yang and his wife have personal interests of 20,000,000 Shares and 2,000,000 Shares respectively; Ms. Kwok Wai Ming has a personal interest of 15,000,000 Shares and Ms. Au Shuk Yee, Sue has a personal interest of 41,028,000 Shares.

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## LETTER FROM THE BOARD

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### DILUTION EFFECT ON SHAREHOLDERS

As the Company foresees that there will be future dilution effect on the Shareholders resulting from the exercise of the conversion rights attaching to the Convertible Notes, the Company will keep the Shareholders informed of the level of dilution effect and all relevant details of any conversion of the Convertible Notes in the following manner:

- (a) the Company will make a monthly announcement (the “Monthly Announcement”) on the website of the Stock Exchange. Such announcement will be made on or before the fifth business day following the end of each calendar month and will include the following details in a tabular form:
  - (i) whether there is any conversion of the Convertible Notes during the relevant month. If yes, details of the conversion(s), including the conversion date, number of new Shares issued, conversion price for each conversion. If there is no conversion during the relevant month, a negative statement to that effect;
  - (ii) the principal amount of outstanding Convertible Notes after the conversion, if any;
  - (iii) the total number of Shares issued pursuant to other transactions, including Shares issued pursuant to exercise of options under any share option scheme(s) of the Company; and
  - (iv) the total issued share capital of the Company as at the commencement and the last day of the relevant month; and
- (b) in addition to the Monthly Announcement, if the cumulative amount of new Shares issued pursuant to the conversion of the Convertible Notes reaches 5% of the issued share capital of the Company as disclosed in the last Monthly Announcement or any subsequent announcement made by the Company in respect of the Convertible Notes (as the case may be) (and thereafter in a multiple of such 5% threshold), the Company will make an announcement on the website of the Stock Exchange including details as stated in (a) above for the period commencing from the date of the last Monthly Announcement or any subsequent announcement made by the Company in respect of the Convertible Notes (as the case may be) up to the date on which the total amount of Shares issued pursuant to the conversion amounted to 5% of the issued share capital of the Company as disclosed in the last Monthly Announcement or any subsequent announcement made by the Company in respect of the Convertible Notes (as the case may be).

For the avoidance of doubt, the Monthly Announcement will be made on the website of the Stock Exchange only and no paid announcement will be made.

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## LETTER FROM THE BOARD

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### REASONS FOR THE PLACING AND USE OF PROCEEDS

The Group is principally engaged in the trading of securities, provision of finance, property holding and investment holding. As announced by the Company on 20 October 2006, the Company has expanded its financial coverage to the insurance service business through its acquisition of the entire issued share capital of Cinergy Holdings Limited. It was further stated in the announcement that by leveraging on the extensive experience of Mr. Yang in the insurance business, the Company 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 Company considers that the Placing will provide the Company with a material portion of the necessary funds to develop the new life insurance businesses which require ample amount of capital.

Assuming all the Convertible Notes are successfully placed by the Placing Agent, the total gross proceeds from the Placing amount to HK\$300 million. After deducting related expenses of approximately HK\$7.5 million, approximately HK\$292.5 million will be available for the Group. It is intended that all of the net proceeds will be used for further strengthening and developing the financial services arm of the Group which includes the establishing of the new life insurance business of the Group.

### NEW GENERAL MANDATES

At the annual general meeting of the Company held on 28 August 2006, the Shareholders approved, among other things, an ordinary resolution to grant to the Directors the Existing General Mandate (i) to allot and issue up to 266,411,240 Shares, which is equivalent to 20% of the then issued share capital of the Company; and (ii) to repurchase up to 133,205,620 Shares on the Stock Exchange, representing 10% of the then issued share capital of the Company. As announced by the Company on 20 October 2006, the Company has entered into (i) an acquisition agreement pursuant to which 200,000,000 Shares were issued as consideration; and (ii) a placing agreement pursuant to which 66,000,000 placing Shares were issued under the Existing General Mandate, representing approximately 75.1% and 24.8% of the Existing General Mandate respectively.

In order to provide a flexible means for the Company to raise further funds and/or to procure potential merger and acquisition opportunities through the issue of new Shares for its future business development, the Board proposes to refresh the general mandates for the Directors to (i) issue and allot new Shares not exceeding 20% of the issued share capital of the Company as at the date of the EGM; (ii) repurchase Shares on the Stock Exchange not exceeding 10% of the issued share capital of the Company as at the date of the EGM; and (iii) by a separate ordinary resolution, extend the Issue Mandate so that the Directors be given a general mandate to issue further Shares equal to the number of Shares repurchased under the Repurchase Mandate.

Each of the Issue Mandate and the Extension Mandate is proposed to the Shareholders prior to the Company's next annual general meeting, and therefore, pursuant to Rule 13.36(4) of the Listing Rules, the Issue Mandate and the Extension Mandate will be subject to the Independent Shareholders' approval by way of poll at the EGM, and the Directors, Mr. Yang and his associates (including, his wife and Parkson Group Limited), Ms. Kwok Wai Ming and Ms. Au Shuk Yee, Sue and their respective associates, are required to abstain from voting in favour thereon.



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## LETTER FROM THE BOARD

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Based on 1,731,636,202 Shares in issue as at the Latest Practicable Date and assuming that no further Shares are repurchased and issued prior to the EGM, subject to the passing of the relevant ordinary resolutions to approve the New General Mandates at the EGM, the Directors will be authorized to allot and issue up to a limit of 346,327,240 Shares under the Issue Mandate; and to repurchase up to 173,163,620 Shares under the Repurchase Mandate. The Directors consider that the New General Mandates will enhance the flexibility for the Company to manage its business and therefore the New General Mandates are fair and reasonable and the granting of the New General Mandates are in the interests of the Company and the Shareholders as a whole. As at the Latest Practicable Date, the Company has no present intention to exercise the Issue Mandate to allot and issue any new Shares.

### **REFRESHMENT OF THE SCHEME MANDATE LIMIT OF THE SHARE OPTION SCHEME**

The Board also proposed to seek the approval of the Shareholders to refresh the 10% scheme mandate limit of the Share Option Scheme. Under the current limit of the Share Option Scheme, the Directors were authorized to grant options to subscribe for up to 133,205,620 Shares, representing 10% of the issued share capital of the Company as at the date of the annual general meeting of the Company held on 28 August 2006 at which the existing scheme mandate limit was refreshed. Since the approval of the refreshed scheme mandate limit on 28 August 2006 and up to the Latest Practicable Date, the Company has granted and the grantees have exercised in full options to subscribe for a total of 133,000,000 Shares under the Share Option Scheme and the options to subscribe for 1,500,000 Shares have lapsed. As at the Latest Practicable Date, options to subscribe for 1,500,000 Shares were outstanding and the Company is allowed to grant options to subscribe for up to 205,620 Shares under the existing scheme mandate limit.

In order to provide the Company with greater flexibility in granting share options to eligible persons (including employees and directors) of the Company under the Share Option Scheme as incentives or rewards for their contribution to the Company, the Board decided to seek the approval from the Shareholders at the EGM to refresh the scheme mandate limit of the Share Option Scheme at the EGM. The Directors consider that such refreshment of the scheme mandate limit of the Share Option Scheme is in the interest of the Company and the Shareholders as a whole.

Based on 1,731,636,202 Shares in issue as at the Latest Practicable Date and assuming that no further Shares are repurchased and issued and no share options are being granted prior to the EGM, upon the approval of the refreshment of the scheme mandate limit of the Share Option Scheme, the Directors will be authorized to issue options to subscribe for a total of 173,163,620 Shares, representing 10% of the total number of Shares in issue as at the Latest Practicable Date. However, the 205,620 share options not previously granted under the Share Option Scheme will not be counted for the purpose of refreshing the scheme mandate limit of the Share Option Scheme.

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## LETTER FROM THE BOARD

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No outstanding share options of the Company will lapse as a result of the refreshment of the scheme mandate limit of the Share Option Scheme and the aggregate number of Shares which may be issued upon the exercise of all outstanding share options granted and yet to be exercised under the Share Option Scheme and any other share option schemes of the Company has not exceeded 30% of the Shares in issue as at the Latest Practicable Date. Save for the Share Option Scheme, the Company has no other share option schemes as at the Latest Practicable Date.

The refreshment of the scheme mandate limit of the Share Option Scheme is conditional upon:

- (i) the passing of an ordinary resolution at the EGM to approve the refreshment of the scheme mandate limit of the Share Option Scheme by the Shareholders; and
- (ii) the Listing Committee of the Stock Exchange granted the listing of, and permission to deal in, the new Shares to be issued pursuant to the exercise of any options granted under the refreshed scheme mandate limit.

Application has been made by the Company to the Stock Exchange for the listing of, and permission to deal in, the Shares which may fall to be issued and allotted upon the exercise of any options that may be granted pursuant to the refreshment of the scheme mandate limit of the Share Option Scheme.

### FUND RAISING ACTIVITIES IN THE PAST 12 MONTHS

Date of agreement	Transaction	Net proceeds raised	Completed	Intended use of proceeds	Actual use of proceeds
1 December 2005	Placing of 44,000,000 new Shares under the placing agreement dated 1 December 2005	HK\$28.8 million	Yes	HK\$14.4 million – investments HK\$14.4 million – general working capital	HK\$13.8 million – investments in financial assets HK\$15 million – general working capital
30 December 2005	Underwritten placing of 250,000,000 new Shares pursuant to the placing agreement dated 30 December 2005	HK\$48.3 million	Yes	To be used for investments in a financial services group and other investments	HK\$0.5 million – deposit to acquire two investment properties HK\$47.8 million – general working capital

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## LETTER FROM THE BOARD

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Date of agreement	Transaction	Net proceeds raised	Completed	Intended use of proceeds	Actual use of proceeds
30 December 2005	Best effort placing of 750,000,000 new Shares pursuant to the placing agreement dated 30 December 2005	HK\$146.4 million	Yes	To be used for investments in a financial services group and other investments	HK\$100 million – acquire HK\$131 million convertible note issued by Hennabun Management International Limited HK\$6.3 million – balance payment to acquire two investment properties HK\$7 million – investment in financial assets HK\$33.1 million – general working capital
18 October 2006	Placing of 66,000,000 new Shares under the placing agreement dated 18 October 2006	HK\$16.17 million	Yes	To be used for general working capital	HK\$3.38 million – deposit to acquire a property HK\$12.79 million – general working capital

### GENERAL

The Independent Board Committee comprising Mr. Chiu Siu Po, Ms. Hui Wai Man, Shirley, Mr. Gary Drew Douglas and Mr. Peter Temple Whitelam, all being independent non-executive Directors, has been formed to advise the Independent Shareholders on the Issue Mandate and the Extension Mandate. Menlo has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and Independent Shareholders on the Issue Mandate and the Extension Mandate.

The text of the letter from the Independent Board Committee is set out on page 20 of this circular and the text of the letter from the Independent Financial Adviser containing its advice is set out on pages 21 to 27 of this circular.

### EGM

A notice convening the EGM is set out on pages 31 to 34 of this circular. The EGM will be convened for the purpose of considering and, if thought fit, passing the ordinary resolutions to approve the placing of Convertible Notes, the refreshment of the New General Mandates and the refreshment of the scheme mandate limit of the Share Option Scheme.

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## LETTER FROM THE BOARD

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Pursuant to Rule 13.36(4)(a) of the Listing Rules, each of the Issue Mandate and the Extension Mandate requires the approval of the Independent Shareholders by poll at the EGM. Since there is no controlling Shareholder of the Company, the Directors (excluding the independent non-executive directors) and the chief executive of the Company and their respective associates, which are Mr. Yang and his associates (including his wife and Parkson Group Limited), Ms. Kwok Wai Ming and Ms. Au Shuk Yee, Sue and their respective associates, shall abstain from voting in favour thereon.

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 the branch share registrar of the Company in Hong Kong, Secretaries Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong, and in any event not less than 48 hours before the time appointed for the holding of the EGM or any adjournment thereof. 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**

Article 76 of the Articles of the Company sets out the following procedure by which Shareholders may demand a poll.

At any general meeting a resolution put to the vote at the meeting shall be decided on a show of hands unless a poll is (before or on the declaration of the result of the show of hands) demanded:

- (i) by the Chairman; or
- (ii) by at least three members present in person or by proxy for the time being entitled to vote at the meeting; or
- (iii) by any member or members present in person or by proxy and representing not less than one-tenth of the total voting rights of all the members having the right to vote at the meeting; or
- (iv) by any member or members present in person 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 the shares conferring that right.

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## LETTER FROM THE BOARD

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### RECOMMENDATION

The Board is of the opinion that the terms of the Convertible Notes, the entering into the Placing Agreement, the New General Mandates and the refreshment of the scheme mandate limit of the Share Option Scheme are fair, reasonable and in the best interest of the Company and Shareholders as a whole, and recommends you to vote in favour of the resolutions to be proposed at the EGM to approve the entering into the Placing Agreement, the New General Mandates and the refreshment of the scheme mandate limit of the Share Option Scheme.

### DIRECTORS' 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 of the accuracy of the information contained in this circular, and confirm, having made all reasonable enquiries, that to the best of their knowledge, information and belief, there are no other facts the omission of which would made any statement herein misleading.

### ADDITIONAL INFORMATION

Your attention is also drawn to the information set out in the appendix to this circular.

Yours faithfully,  
By Order of the Board  
**Freeman Corporation Limited**  
**Kwok Wai Ming**  
*Executive Director*



**FREEMAN CORPORATION LIMITED**

**民豐控股有限公司**

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

**(Stock code: 279)**

13 December 2006

*To the Independent Shareholders*

Dear Sir or Madam,

**REFRESHMENT OF GENERAL MANDATES TO ISSUE AND ALLOT SHARES**

We refer to the circular of the Company to the Shareholders dated 13 December 2006 (the “Circular”), of which this letter forms part. Terms defined herein shall have the same meanings as defined in the Circular unless the context otherwise requires.

We have been appointed by the Board to advise the Independent Shareholders as to whether the terms of the Issue Mandate and the Extension Mandate are fair and reasonable so far as the Independent Shareholders are concerned. Menlo has been appointed as the Independent Financial Adviser to advise us and the Independent Shareholders in this respect. Details of its advice, together with the principal factors and reasons taken into account in arriving at such advice, are set out in their letter of advice on pages 21 to 27 of the Circular.

Having taken into account the principal reasons and factors considered by the Independent Shareholders and the advice of Menlo, we consider that the terms of the Issue Mandate and the Extension Mandate are fair and reasonable so far as the Independent Shareholders are concerned and the Issue Mandate and the Extension Mandate are in the interests of the Company and its Shareholders as a whole. Accordingly, we recommend the Independent Shareholders to vote in favour of the resolutions to be proposed at the EGM to approve the Issue Mandate and the Extension Mandate.

Yours faithfully,

The Independent Board Committee

**Mr. Chiu Siu Po**

**Ms. Hui Wai Man, Shirley**

**Mr. Gary Drew Douglas**

**Mr. Peter Temple Whitlam**

*Independent non-executive Directors*

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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*The following is the text of a letter of advice to the Independent Board Committee and the Independent Shareholders from Menlo in respect of the Issue Mandate and the Extension Mandate for the purpose of incorporation in this circular.*



### **Menlo Capital Limited**

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

13 December 2006

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

Dear Sirs,

### **REFRESHMENT OF ISSUE MANDATE**

#### **INTRODUCTION**

We refer to our engagement as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in connection with the refreshment of the Issue Mandate, details of which are set out in the “Letter from the Board” contained in the circular (the “Circular”) issued by the Company to the Shareholders dated 13 December 2006 of which this letter forms a part. Terms defined in the Circular shall have the same meanings in this letter unless the context of this letter otherwise requires.

Each of the Issue Mandate and the Extension Mandate is proposed to the Shareholders prior to the Company’s next annual general meeting, and therefore, pursuant to Rule 13.36(4) of the Listing Rules, the Issue Mandate and the Extension Mandate will be subject to the approval of the Independent Shareholders by way of poll at the EGM at which the Directors, Mr. Yang and his associates (including, his wife and Parkson Group Limited), Ms. Kwok Wai Ming and Ms. Au Shuk Yee, Sue and their respective associates, are required to abstain from voting in favour thereon.

The Independent Board Committee, comprising Mr. Chiu Siu Po, Ms. Hui Wai Man, Shirley, Mr. Gary Drew Douglas and Mr. Peter Temple Whitelam, all being independent non-executive Directors, has been formed to advise the Independent Shareholders as to whether the Issue Mandate and the Extension Mandate are fair and reasonable so far as the Independent Shareholders are concerned and whether the Issue Mandate and the Extension Mandate are in the interests of the Company and the Independent Shareholders as a whole.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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In formulating our recommendation, we have relied on the statements, information, opinions and representations contained in the Circular and the information, facts 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 are also not aware that any statements of belief, opinion and intention made by the Directors in the Circular were not reasonably made after due and careful enquiry and not based on honestly-held opinions. We have no reason to doubt the truth, accuracy and completeness of the information and representations provided to us by the Directors and we have been advised by the Directors that no material facts have been omitted from the information and representations provided in and referred in the Circular.

We consider that we have been provided with sufficient information to enable us to reach an informed view and to justify our reliance on the accuracy of the information and representations contained in the Circular and to provide a reasonable basis for our opinion. 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 or any of its respective subsidiaries or associates.

### **PRINCIPAL FACTORS AND REASONS TAKEN INTO ACCOUNT**

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

#### **I. Background**

The Group is principally engaged in the trading of securities, provision of finance, property holding and investment holding. As announced by the Company on 20 October 2006, the Company has expanded its financial coverage to the insurance service business through its acquisition of the entire issued share capital of Cinergy Holdings Limited. It was further stated in the announcement that by leveraging on the extensive experience of Mr. Yang in the insurance business, the Company and Mr. Yang will use their respective reasonable endeavours to expand the existing business of Cinergy Holdings Limited, subject to the regulatory requirements and approvals to set up a life insurance company authorized to conduct long term business in Hong Kong.

At the annual general meeting of the Company held on 28 August 2006, the Shareholders approved, amongst other things, an ordinary resolution to grant to the Directors the Existing General Mandate to allot up to 266,411,240 Shares, which is equivalent to 20% of the then issued share capital of the Company. No refreshment of the Existing General Mandate has been sought during the period from the date of grant of the Existing General Mandate to the Latest Practicable Date.



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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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As announced by the Company on 20 October 2006, the Company has entered into (1) an acquisition agreement relating to Cinergy Holdings Limited pursuant to which 200,000,000 Shares were issued as consideration; and (2) a placing agreement pursuant to which 66,000,000 placing Shares were issued under the Existing General Mandate, representing approximately 75.1% and 24.8% of the Existing General Mandate respectively. Accordingly, during the period from the date of grant of the Existing General Mandate to the Latest Practicable Date, the Existing General Mandate had been utilized as to 266,000,000 Shares, being approximately 99.9% of the aggregate number of Shares which may be allotted and issued under the Existing General Mandate.

### **II. Current resources and financial flexibility**

As announced by the Company on 22 November 2006, pursuant to the Placing Agreement, the Placing Agent agreed to procure subscribers for the Convertible Notes of up to a principal amount of HK\$300 million of which HK\$100 million principal amount of the Convertible Notes will be placed on a fully underwritten basis; and up to HK\$200 million principal amount of the Convertible Notes will be placed on a best effort basis.

Assuming all the Convertible Notes are successfully placed by the Placing Agent, net proceeds of approximately HK\$292.5 million will be available for the Group. It is intended that the entire net proceeds will be used for further strengthening and developing the financial services arm of the Group which includes the establishing of the new life insurance business of the Group.

We have discussed with the Directors and are advised that the existing cash resources of the Group together with the net proceeds expected to be raised from the placing of the Convertible Notes are sufficient for the Group to meet its immediate requirements. However, the Directors expect that the development of the new life insurance businesses require ample amount of capital in the medium to long term. There is no certainty that existing cash resources will be adequate or other financing alternatives will be available for the development of the new life insurance business and/or acquisition of appropriate addition investments that may be identified by the Company in the future as investment opportunities may arise at any time and investment decisions may have to be made within a short period of time. The Company would be allowed under the Issue Mandate to allot and issue up to 346,327,240 Shares to raise additional funds for the development of the new life insurance business; and under the Extension Mandate to extend the Issue Mandate to issue further Shares equal to the number of Shares repurchased under the Repurchase Mandate, if required.

In the event that the Group identifies a suitable investment opportunity but does not have sufficient cash resources on hand, and if it fails to obtain debt financing on terms which the Directors consider acceptable to the Group or raise funds from the equity capital market, or it cannot find other alternatives to finance the acquisition of such investment opportunities in a timely manner, the Group may lose its bid for an otherwise favourable investment. The Group will be in a disadvantageous position if it is unable to

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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obtain sufficient funds in a timely manner to finance a potential investment. Therefore, the Directors consider that the Issue Mandate and the Extension Mandate will enhance the flexibility for the Company to manage its business and therefore the Issue Mandate and the Extension Mandate are fair and reasonable and the granting of the Issue Mandate and the Extension Mandate are in the interests of the Company and the Shareholders as a whole.

In view of the above, we consider that the granting of the Issue Mandate and the Extension Mandate could enhance the financing flexibility of the Company to raise capital and to strengthen the capital base of the Group, if and when required, through placing of Shares for further development of the Group. In addition, the Directors consider that if investment or acquisition opportunities arise, a decision may have to be made within a short period of time. The Issue Mandate and the Extension Mandate could provide the Group with the maximum flexibility as allowed under the Listing Rules to allot and issue new Shares to raise capital through placement of Shares as consideration for funding such potential investments and/or acquisitions in the future as and when such opportunities arise. The increase in the amount of capital which may be raised under the Issue Mandate and the Extension Mandate would improve the overall financial position of the Group which in turn could provide more options for financing to the Group when assessing and negotiating potential investments and/or acquisitions in a timely manner. Accordingly, we are of the opinion that the refreshment of the Issue Mandate and the Extension Mandate are in the best interests of the Company and the Shareholders as a whole.

### **III. Other financing alternatives**

In appropriate circumstances, other than raising funds by way of issuing equity capital, the Directors will also consider other financing methods such as debt financing or internal cash resources to fund its future business development, depending on the then financial position of the Group.

Subject to the then market condition, the Directors will consider and conducting an equity fund raising exercise by issuing Shares, which may or may not result in the exercise of the Issue Mandate, to prepare for future business development of the Group. As at the Latest Practicable Date, the Company has no intention to exercise the Issue Mandate and the Extension Mandate to allot and issue any new Shares.

As advised by the Directors, the Issue Mandate and the Extension Mandate provides another alternative to the Directors to raise financing for the Group's businesses and the Directors will use such method of financing which serves the best interest of the Group. We consider that it is sensible and reasonable for the Directors to make reference to the then financial position of the Group in order to decide on the financing method for the future development of the Group.

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

### IV. Potential dilution to shareholding of the Independent Shareholders

Set out below is a table showing (i) the shareholding structure of the Company as at the Latest Practicable Date; and (ii) for illustrative purpose, the shareholding structure of the Company upon full utilization of the Issue Mandate (assuming that the Issue Mandate and the Extension Mandate will be approved at the EGM, no new Shares will be issued or repurchased between the Latest Practicable Date and the EGM and the Extension Mandate is not exercised):

Shareholders	Issued Shares as at the Latest Practicable Date		Issued Shares with full utilisation of the Issue Mandate	
	No. of Shares	%	No. of Shares	%
Parkson Group Limited (Note 1)	200,000,000	11.6	200,000,000	9.6
Radford Capital Investment Limited (Stock Code: 901) (Note 2)	131,972,000	7.6	131,972,000	6.4
Heritage International Holdings Limited (Stock Code: 412) (Note 2)	130,524,000	7.5	130,524,000	6.3
Directors and their associates (Note 3)	78,028,000	4.5	78,028,000	3.8
Shares issued under the Issue Mandate	–	–	346,327,240	16.6
Public (Note 4)	1,191,112,202	68.8	1,191,112,202	57.3
<b>Total</b>	<b><u>1,731,636,202</u></b>	<b><u>100.0</u></b>	<b><u>2,077,963,442</u></b>	<b><u>100.0</u></b>

Notes:

- Mr. Yang beneficially owns the entire issued share capital of Parkson Group Limited.
- Both of the shares of Radford Capital Investment Limited (stock code: 901) and Heritage International Holdings Limited (stock code: 412) are listed on the Main Board of the Stock Exchange.
- Mr. Yang and his wife have personal interests of 20,000,000 Shares and 2,000,000 Shares respectively; Ms. Kwok Wai Ming has a personal interest of 15,000,000 Shares and Ms. Au Shuk Yee, Sue has a personal interest of 41,028,000 Shares.
- The percentage of Shares held by the public Shareholders is set out in the Letter from the Board.

As can be seen from the above table, the aggregate shareholding of the existing public Shareholders will be decreased from approximately 68.8% to approximately 57.3% upon full utilization of the Issue Mandate.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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Taken into account that (i) the Issue Mandate and the Extension Mandate provides a financial flexibility to the Group for further development of its business as well as in other potential investments and/or acquisitions as and when such opportunities arises in the future; and (ii) the Issue Mandate and the Extension Mandate provides an alternative to raise new equity capital for the Company; and (iii) the shareholding of all the Shareholders will be diluted in proportion to their respective shareholdings upon any utilization of the Issue Mandate, we consider that the above potential dilution to the shareholding of the Independent Shareholders to be justifiable.

### **V. Terms of the Issue Mandate**

Pursuant to Rule 13.36(4) of the Listing Rules, the Company will be convening the EGM at which an ordinary resolution will be proposed to the Independent Shareholders that:

- (i) the Directors be granted the Issue Mandate to allot and issue Shares not exceeding 20% of the issued share capital of the Company as at the date of passing the ordinary resolution; and
- (ii) the Director be granted the Extension Mandate that the Issue Mandate be extended to issue Shares equal to the number of Shares repurchased by the Company pursuant to the general mandate granted to the Directors at the EGM.

As at the Latest Practicable Date, the Company had an aggregate of 1,731,636,202 Shares in issue. Subject to the passing of the ordinary resolutions for the approval of the Issue Mandate and the Extension Mandate at the EGM and on the basis that no further Shares will be issued and/or repurchased by the Company between the Latest Practicable Date and the date of EGM, the Company would be allowed under the Issue Mandate to allot and issue up to 346,327,240 Shares, being 20% of Shares in issue as at the EGM.

Shareholders should note that the Existing General Mandate (subject to the extent that such authority has not been exercised) will be revoked upon approval at the EGM of the Issue Mandate and the Issue Mandate will be in force until the earliest of (i) the conclusion of the Company's next annual general meeting which is expected to be held in August 2007; (ii) the expiration of the period within which the next annual general meeting is required by the articles of association of the Company or the applicable laws of the Cayman Islands to be held; or (iii) the revocation or variation of the authority given under the relevant resolution to approve the Issue Mandate by ordinary resolution of the Shareholders in general meeting of the Company.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### RECOMMENDATION

Having taken into consideration of the above principal factors and reasons, we are of the view that the Issue Mandate and the Extension Mandate are fair and reasonable so far as the Independent Shareholders are concerned and is in the interests of the Company and the Independent Shareholders as a whole. Accordingly, we advise the Independent Board Committee to recommend the Independent Shareholders to vote in favour of the ordinary resolutions to be proposed at the EGM to approve the Issue Mandate and the Extension Mandate.

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

*The following is an explanatory statement required by the Stock Exchange to be presented to Shareholders concerning the Repurchase Mandate.*

## **1. STOCK EXCHANGE RULES FOR REPURCHASES OF SHARES**

The Listing Rules permit companies with a primary listing on the Stock Exchange to repurchase their shares on the Stock Exchange subject to certain restrictions.

The Listing Rules provide that all proposed repurchases of share by a company with a primary listing on the Stock Exchange must be approved by shareholders in advance by an ordinary resolution, either by way of a general mandate or, by a specific approval of a particular transaction and that the shares to be repurchased must be fully paid up.

## **2. REASONS FOR REPURCHASES**

While it is not possible to anticipate in advance any specific circumstances in which the Directors might think it is appropriate to repurchase securities, the Directors believe that it is in the best interests of the Company and the Shareholders to have a general authority from the Shareholders to enable the Directors to repurchase securities on the market. The repurchases may, depending on market conditions and funding arrangements of the Company at the time, lead to an enhancement of the net asset value per Share and/or earnings per Share. Shareholders can be assured that the Directors would only make such purchases in circumstances where they consider them to be in the best interests of the Company.

## **3. SHARE CAPITAL**

As at the Latest Practicable Date, the issued share capital of the Company comprise 1,731,636,202 Shares.

Subject to the passing of the relevant ordinary resolution to approve the Repurchase Mandate to repurchase Shares and on the basis that no further Shares are issued or repurchased between the Latest Practicable Date and the date of the EGM, the Company would be allowed under the Repurchase Mandate to repurchase a maximum of 173,163,620 Shares.

## **4. FUNDING OF REPURCHASE**

In repurchasing Shares, the Company may only apply funds legally available for such purpose in accordance with its memorandum and articles of association and the laws of the Cayman Islands.

**5. IMPACT OF REPURCHASE**

There might be a material adverse impact on the working capital or gearing position of the Company (as compared with the position disclosed in the audited accounts contained in the annual report of the Company for the year ended 31 March 2006) in the event that the Repurchase Mandate was to be carried out in full at any time during the proposed repurchase period. However, the Directors do not intend to exercise the Repurchase Mandate to such extent as would, in the circumstances, have material adverse effect on the working capital requirements of the Company or the gearing levels which in the opinion of the Directors are from time to time appropriate for the Company.

**6. DIRECTORS, THEIR ASSOCIATES AND CONNECTED PERSONS**

None of the Directors or, to the best of the knowledge and belief, having made all reasonable enquiries, any of their respective associates has any present intention to sell any Shares to the Company in the event that the granting of the Repurchase Mandate is approved by the Shareholders.

The Company has not been notified by any connected persons (as defined under the Listing Rules) of the Company that they have a present intention to sell any Shares to the Company, or that they have undertaken not to sell any of the Shares held by them to the Company in the event that the granting of the Repurchase Mandate is approved by the Shareholders. In accordance with the Listing Rules, the Company shall not knowingly purchase Shares from a connected person on the Stock Exchange and a connected person shall not knowingly sell his Shares to the Company.

The Directors have undertaken to the Stock Exchange to exercise the power of the Company to make repurchase of Shares pursuant to the Repurchase Mandate in accordance with the Listing Rules, the applicable laws of Cayman Islands and in accordance with the memorandum and articles of association of the Company.

**7. SHARE REPURCHASE MADE BY THE COMPANY**

No repurchase of Shares has been made by the Company in the six months (whether on the Stock Exchange or otherwise) ended on the Latest Practicable Date.

**8. THE CODE ON TAKEOVERS AND MERGERS (“TAKEOVERS CODE”)**

If, on the exercise of the power to repurchase Shares pursuant to the Repurchase Mandate, a Shareholder’s proportionate interest in the voting rights of the Company increases, such increase will be treated as an acquisition for the purposes of the Takeovers Code. Accordingly, a Shareholder, or group of Shareholders acting in concert, could obtain or consolidate control of the Company and become obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code for all the Shares not already owned by such Shareholder or group of Shareholders.

As at the Latest Practicable Date, Mr. Yang and his associates, Radford Capital Investment Limited and Heritage International Holdings Limited, the Company's shareholders who are interested in 5% or more of the issued share capital of the Company, were interested in 222,000,000, 131,972,000 and 130,524,000 Shares respectively (representing approximately 12.8%, 7.6% and 7.5% of the total issued share capital of the Company respectively). On the basis that the issued share capital of the Company remains unchanged up to the date of the EGM, in the event that the Directors exercise in full the power to repurchase Shares in accordance with the terms of the relevant ordinary resolution to be proposed at the EGM, the interest of each of Mr. Yang and his associates, Radford Capital Investment Limited and Heritage International Holdings Limited in the issued Shares would be increased to approximately 14.2%, 8.5% and 8.4% of the total issued share capital of the Company respectively. Such an increase of shareholding would not give rise to an obligation for such Shareholders to make a mandatory offer under the Takeovers Code. The Directors do not have any present intention to exercise the Repurchase Mandate to such an extent as would give rise to such an obligation.

Save as aforesaid and as at the Latest Practicable Date, the Directors were not aware of any consequence which the exercise in full of the Repurchase Mandate would have under the Takeovers Code.

## 9. MARKET PRICES OF SHARES

During the 12 months preceding the Latest Practicable Date, the highest and lowest traded prices for Shares on the Stock Exchange were as follows:

Month	Per Share	
	Highest HK\$	Lowest HK\$
<b>2005</b>		
December	0.710	0.196
<b>2006</b>		
January	suspended	suspended
February	0.260	0.209
March	0.255	0.212
April	0.244	0.207
May	0.242	0.210
June	0.234	0.138
July	0.144	0.122
August	0.159	0.133
September	0.212	0.150
October	0.305	0.205
November	0.290	0.222
December (up to the Latest Practicable Date)	0.255	0.237



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## NOTICE OF EGM

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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)**

**NOTICE IS HEREBY GIVEN** that an extraordinary general meeting of Freeman Corporation Limited (the “Company”) will be held at 9:00 a.m. on Friday, 29 December 2006 at 30th Floor, China United Centre, 28 Marble Road, North Point, Hong Kong for the following purposes of considering and, if thought fit, passing, with or without modification, the following resolutions:

#### **ORDINARY RESOLUTIONS**

1. **“THAT:**

- (a) the execution of the conditional placing agreement (the “Convertible Notes Placing Agreement”) dated 20 November 2006 between the Company and Taifook Securities Company Limited (the “Placing Agent”) pursuant to which, inter alia, the Placing Agent agreed to (i) procure places to subscribe in cash for convertible notes (the “Convertible Notes”) to be issued by the Company, on an underwritten basis, in the principal amount of HK\$100,000,000 and (ii) procure places to subscribe in cash for Convertible Notes, on a best effort basis, up to a principal amount of HK\$200,000,000 (a copy of which has been produced to this meeting marked “A” and initialled by the chairman of the meeting for the identification purpose) be and is hereby confirmed, approved and ratified;
- (b) the creation and issue of the Convertible Notes convertible into shares of the Company (“Shares”) at an initial conversion price, subject to adjustment, of HK\$0.25 per Share in accordance with the terms and conditions of the Convertible Notes contained in the Convertible Notes Placing Agreement be and is hereby approved and that upon due exercise of the conversion rights attached to the Convertible Notes from time to time, the allotment and issue of the Shares pursuant to and in accordance with the terms and conditions of the Convertible Notes be and is hereby approved; and
- (c) any one director the Company be and is hereby authorised to take such actions or execute such documents to effect the issue of the Convertible Notes and the Shares to be allotted and issued upon the exercise of conversion rights attached to the Convertible Notes and to sign or execute such other documents or agreements or deeds on behalf of the Company and to do such other things and to take all such actions as he or she considers necessary or desirable for the purposes of giving effect to the Convertible Notes Placing Agreement.”

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## NOTICE OF EGM

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2. “**THAT:**

- (a) subject to paragraph (c) below, the exercise by the directors of the Company (the “Directors”) during the Relevant Period (as hereinafter defined) of all the powers of the Company to allot, issue and deal with unissued shares in the capital of the Company and to make or grant offers, agreements and options (including warrants, bonds and debentures convertible into shares of the Company) which might require the exercise of such powers be and is hereby generally and unconditionally approved;
- (b) the Directors be and are hereby authorised during the Relevant Period to make or grant offers, agreements and options (including warrants, bonds and debentures convertible into shares of the Company) which might require the exercise of such powers during or after the end of the Relevant Period;
- (c) the aggregate nominal amount of share capital allotted or agreed conditionally or unconditionally to be allotted (whether pursuant to an option or, otherwise) by the Directors pursuant to the approval in paragraphs (a) and (b) above, otherwise than pursuant to a Rights Issue (as hereinafter defined) or pursuant to the exercise of any options granted under the share option scheme adopted by the Company or an issue of shares upon the exercise of subscription rights attached to the warrants which might be issued by the Company or an issue of shares in lieu of the whole or part of a dividend on shares or any scrip dividend scheme or similar arrangement in accordance with the articles of association of the Company, shall not exceed 20% of the aggregate nominal amount of the share capital of the Company in issue at the time of passing this resolution; and
- (d) for the purposes of this resolution:

“Relevant Period” means the period from the time of the passing of this resolution until whichever is the earliest of:

- (i) the conclusion of the next annual general meeting of the Company;
- (ii) the expiration of the period within which the next annual general meeting of the Company is required by the articles of association of the Company or the applicable laws of the Cayman Islands to be held; or
- (iii) the revocation or variation of the authority given under this resolution by an ordinary resolution of the shareholders of the Company in general meeting,

“Rights Issue” means an offer of shares open for a period fixed by the Directors to holders of shares of the Company whose names appear on the register of members of the Company on a fixed record date in proportion to their then holdings of such shares (subject to such exclusions or other, arrangements as the Directors may deem necessary or expedient in relation to fractional entitlements or having regard to any restrictions or obligations under the laws of any relevant jurisdiction, or the requirements of any recognised regulatory body or any stock exchange).”

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## NOTICE OF EGM

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3. **“THAT:**

- (a) subject to paragraph (c) below, the exercise by the directors of the Company (the “Directors”) during the Relevant Period (as hereinafter defined) of all powers of the Company to repurchase issued shares in the capital of the Company on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) or any other stock exchange on which the shares of the Company may be listed and recognised by the Securities and Futures Commission of Hong Kong and the Stock Exchange for this purpose, subject to and in accordance with all applicable laws and the requirements of the Rules Governing the Listing of Securities on the Stock Exchange, be and is hereby, generally and unconditionally approved;
- (b) the approval in paragraph (a) above shall be in addition to any other authorisation given to the Directors and shall authorise the Directors on behalf of the Company during the Relevant Period to procure the Company to repurchase its shares at a price determined by the Directors;
- (c) the aggregate nominal amount of share capital of the Company repurchased or agreed conditionally or unconditionally to be repurchased by the Company pursuant to the approval in paragraph (a) above during the Relevant Period shall not exceed 10% of the aggregate nominal amount of the issued share capital of the Company as at the time of passing this resolution; and
- (d) for the purposes of this resolution:

“Relevant Period” means the period from the time of the passing of this resolution until whichever is the earliest of:

- (i) the conclusion of the next annual general meeting of the Company;
- (ii) the expiration of the period within which the next annual general meeting of the Company is required by the articles of association of the Company or the applicable laws of the Cayman Islands to be held; or
- (iii) the revocation or variation of the authority given under this resolution by an ordinary resolution of the shareholders of the Company in general meeting.”

4. **“THAT** conditional upon the passing of the ordinary resolutions numbered 2 and 3 in the notice convening the meeting of the Company dated 13 December 2006, the aggregate nominal amount of the share capital of the Company repurchased by the Company pursuant to and in accordance with the said resolution numbered 3 shall be added to the aggregate nominal amount of the share capital of the Company that may be allotted or agreed conditionally or unconditionally to be allotted by the directors of the Company pursuant to and in accordance with the resolution numbered 2 set out in the notice of the meeting of the Company dated 13 December 2006.”

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## NOTICE OF EGM

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5. “**THAT** the existing scheme mandate limit in respect of the granting of options to subscribe for shares in the Company (“Shares”) under the share option scheme adopted by the Company on 23 August 2002 (the “Share Option Scheme”) be refreshed and renewed provided that the total number of Shares which may be allotted and issued pursuant to the grant or exercise of the options under the Share Option Scheme (excluding options previously granted, outstanding, cancelled, lapsed or exercised under the Share Option Scheme) shall not exceed 10% of the Shares of the Company in issue as at the date of passing this resolution (the “Refreshed Limit”) and that the directors of the Company be and are hereby authorized, subject to compliance with the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, to grant options under the Share Option Scheme up to the Refreshed Limit and to exercise all the powers of the Company to allot, issue and deal with shares of the Company pursuant to the exercise of such options.”

By Order of the Board  
**Freeman Corporation Limited**  
**Kwok Wai Ming**  
*Director*

Hong Kong, 13 December 2006

*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 the meeting 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 of 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, 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 the 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 the meeting personally or by proxy, that one of the said persons so present whose name stands first on the register of members in respect of such share shall alone be entitled to vote in respect thereof.