



# FREEMAN CORPORATION LIMITED

## 民豐控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 279)

### INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30TH SEPTEMBER, 2006

#### INTERIM RESULTS

The Board of Directors of Freeman Corporation Limited (the “Company”) announces the unaudited condensed consolidated results of the Company and its subsidiaries (the “Group”) for the six months ended 30th September, 2006 and its state of affairs as at 30th September, 2006 together with comparative figures as follows:

#### CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30th September, 2006

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

## CONDENSED CONSOLIDATED BALANCE SHEET

At 30th September, 2006

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

## Notes:

### 1. BASIS OF PREPARATION

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

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

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

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

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

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

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

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

<sup>1</sup> Effective for annual periods beginning on or after 1st January, 2007.

<sup>2</sup> Effective for annual periods beginning on or after 1st May, 2006.

<sup>3</sup> Effective for annual periods beginning on or after 1st June, 2006.

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

### 3. TURNOVER

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

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

### 4. SEGMENT INFORMATION

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

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

Segment information about these businesses is presented below:

#### Business Segments

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

For the six months ended 30th September, 2005  
(Unaudited)

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

**5. (LOSS)/PROFIT FROM OPERATIONS**

<b>For the six months ended 30th September,</b>	
<b>2006</b>	<b>2005</b>
<b><i>HK\$'000</i></b>	<b><i>HK\$'000</i></b>
<b>(Unaudited)</b>	<b>(Unaudited)</b>

(Loss)/profit from operations has been arrived  
at after charging/(crediting):

Gain on disposal of subsidiary	<b>(59,836)</b>	–
Loss on disposal of subsidiary	<b>3,920</b>	–
Net gain on disposal of subsidiaries	<b>(55,916)</b>	–
Negative goodwill arising from acquisition of a subsidiary	<b>(893)</b>	–
Loss on changes in fair value of investments held for trading securities	<b>26,128</b>	52
Depreciation of property, plant and equipment	<b>353</b>	164
Share-based payment	<b>3,102</b>	–

**6. TAXATION**

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

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

**7. DIVIDEND**

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

## 8. LOSS PER SHARE

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

### Diluted Loss Per Share

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

## 9. INVESTMENT PROPERTIES

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

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

## 10. AVAILABLE-FOR-SALE INVESTMENTS

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

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

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

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

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

## 11. LOANS RECEIVABLE

	<b>30.9.2006</b> <i>HK\$'000</i> <b>(Unaudited)</b>	31.3.2006 <i>HK\$'000</i> (Audited)
Floating rate loans receivable	<b>336,232</b>	236,954
Less: Impairment	<b>(118,752)</b>	–
	<b><u>217,480</u></b>	<b><u>236,954</u></b>

The loans receivable are repayable as follows:

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

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

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

## 12. TRADE AND OTHER RECEIVABLES

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

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

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

## **INTERIM DIVIDEND**

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

## **INTERIM RESULTS**

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

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

## **OPERATIONS REVIEW**

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

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

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

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

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

## **FINANCIAL REVIEW**

### **Liquidity, Financial Resources and Capital Structure**

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



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

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

The Group's assets portfolio is mainly financed by its shareholders' funds. At 30th September, 2006, the Group had shareholders' funds of HK\$483,920,000 (31.3.2006: HK\$501,643,000). During the period, the Company had undergone a capital reorganisation which included the reduction of the nominal value of the shares of the Company from HK\$0.20 each to HK\$0.10 each. Moreover, there were also placements of total of 600 million new shares and consideration issue of 55 million new shares by the Company in the period.

### **Foreign Currency Management**

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

### **Pledge of Assets**

At 30th September, 2006, available-for-sale investments of approximately HK\$15,840,000 and investments held for trading of approximately HK\$26,789,000 were pledged to a financial institution to secure margin financing of HK\$902,000 provided to the Group and investment properties of total carrying amount of HK\$36,670,000 were pledged to banks to secure loan and credit facilities granted to the Group.

### **Contingent Liabilities**

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

## **BUSINESS PROSPECTS**

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

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

## **EMPLOYEES AND REMUNERATION POLICY**

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

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

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

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

## **AUDIT COMMITTEE**

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

## **CORPORATE GOVERNANCE**

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

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

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

Hong Kong, 28th December, 2006

As at the date of this announcement, the directors of the Company are:

*Executive Directors:*

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

*Independent non-executive Directors:*

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