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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)

DISCLOSEABLE TRANSACTION HEADS OF AGREEMENT IN RELATION TO THE SALE AND PURCHASE OF 120,000,000 SHARES IN THE SHARE CAPITAL OF FREEMAN FINANCIAL SERVICES LIMITED

On 22 October 2007, Freeman Financial Corporation, a wholly owned subsidiary of the Company, entered into the legally binding Heads of Agreement with Evolution Master Fund Ltd. SPC, Segregated Portfolio M in relation to the sale and purchase of 120,000,000 shares of HK\$1.00 each in the issued share capital of Freeman Financial Services Limited, an insurance arm of the Group, as to be enlarged by the Capital Expansion at the consideration of HK\$120,000,000.

The entering into of the Heads of Agreement constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules. A circular containing further details of the transaction will be despatched to the Shareholders as soon as practicable.

THE HEADS OF AGREEMENT

Date : 22 October 2007

Parties : (a) Freeman Financial Corporation (the “Vendor”), a company incorporated in the Cayman Islands with limited liability and being a wholly owned subsidiary of the Company, as vendor; and

- (b) Evolution Master Fund Ltd. SPC, Segregated Portfolio M (the “Purchaser”) a segregated portfolio company incorporated in the Cayman Islands, as purchaser.

To the best of the Directors’ knowledge, information and belief having made all reasonable enquiries, the Purchaser currently holds (i) 61,652,000 Shares which represents 0.83% of the issued share capital of the Company and (ii) Convertible Notes of principal amount of HK\$50,400,000. Upon the conversion of such Conversion Notes of HK\$50,400,000 and assume no other conversion of the Conversion Notes, the Purchaser will hold 6.16% of the enlarged issued share capital of the Company. Save as the interests so disclosed, the Directors consider the Purchaser and its ultimate beneficiary owners are Independent Third Parties and not connected person (as defined under the Listing Rules) of the Company.

Assets to be disposed of and Consideration

Conditional on the issue of provisional approval from the Hong Kong Insurance Authority in respect of granting the authorization to carry on long term life insurance business in or from Hong Kong, FFSL will undergo the Capital Expansion whereby the authorized share capital will increase to not less than HK\$600,000,000 and the issued share capital will increase to HK\$600,000,000 comprising 600,000,000 ordinary shares of HK\$1.00 each by allotting the new shares to the Vendor. And the Vendor will remain as the sole shareholder of FFSL immediately after the Capital Expansion.

Pursuant to the terms of the Heads of Agreement, the Vendor agreed to sell and the Purchaser agreed to purchase 120,000,000 ordinary shares of HK\$1.00 each (the “Sales Shares”) in the issued share capital of FFSL as enlarged by the Capital Expansion for a cash consideration of HK\$120 million.

The Sale Shares represent 20% of the issued share capital of FFSL as enlarged by the Capital Expansion.

The consideration is arrived at after arm’s length negotiations between the parties to the Heads of Agreement and is equal to the nominal value of the Sale Shares. Since FFSL will not be in substantial level of operation at completion of the Heads of Agreement and the Sale Shares are to be disposed at their par value, the Board does not expect any material gain or loss on the disposal of the Sale Shares. The consideration receivable will be payable upon completion of the Heads of Agreement and applied to the general working capital of the Group. At the date hereof, the Group has not identified any specific usage or possible investment opportunity for applying the proceeds from the disposal of the Sale Shares. The Board considers the transaction to be fair and reasonable.

Conditions precedent

Completion of the above-mentioned sale and purchase of the Sale Shares is conditional on the satisfaction or waiver, on or before 60 days (or such later date as may be agreed mutually by the parties to the agreement) from the issue of provisional approval from the Hong Kong Insurance Authority to FFSL in respect of granting the authorisation to carry on long term life insurance business in or from Hong Kong, of, inter alia, the following:–

- (a) the issue of provisional approval from the Hong Kong Insurance Authority to FFSL in respect of granting the authorisation to carry on long term life insurance business in or from Hong Kong;
- (b) all necessary approvals by the shareholders of the Company, government and regulatory authorities (including the Stock Exchange), corporate approvals and consents for the transactions contemplated under the Heads of Agreement (which include the Capital Expansion and the disposal of the Sale Shares) be obtained;
- (c) all necessary internal approvals of the Purchaser be obtained;
- (d) satisfactory result of due diligence to be conducted by the Purchaser on FFSL;
- (e) all relevant regulatory requirements, including but not limited to those under the Listing Rules and the Insurance Companies Ordinance (Cap. 41) of Hong Kong, have been complied with and satisfied; and
- (f) the Purchaser, the Vendor and FFSL have executed a shareholders' agreement in respect of the future management and governance of FFSL.

Completion

Completion shall take place within 7 days after the satisfaction or waiver of the conditions precedent.

Upon completion, the Purchaser will hold 20% of the issued share capital of FFSL and FFSL will become an indirect 80% owned subsidiary of the Company.

INFORMATION ON FFSL

FFSL is a company incorporated in Hong Kong with limited liabilities, a direct wholly owned subsidiary of the Vendor and an indirect wholly-owned subsidiary of the Company. The existing authorised and issued share capital of FFSL comprise 10,000,000 ordinary share of HK\$1.00 each.

The present principal activities of FFSL is in the course of setting up long term life insurance business in Hong Kong. In July 2007, FFSL submitted its initial application for license to conduct long term life insurance business in Hong Kong. In order to finance its future operation, FFSL intends to increase its authorised share capital to not less than HK\$600,000,000 and its issued share capital to HK\$600,000,000 by allotting additional shares at par value to the Vendor after the issue of provisional approval from the Hong Kong Insurance Authority in respect of granting the authorisation to conduct long term life insurance business in or from Hong Kong.

According to the audited financial statements of FFSL for the period from its incorporation to 31 March 2007, it did not incur any profit or loss for the period and its net asset value at 31 March 2007 was HK\$100.

REASONS FOR ENTERING INTO THE HEADS OF AGREEMENT

The Group is principally engaged in the trading of securities, provision of finance, property holding, insurance business and investment holding. The Purchaser is a segregated portfolio company incorporated in the Cayman Islands and currently managed by Evolution Capital Management, LLC.

The entering into the Heads of Agreement will provide a mean of strengthening the financial base of the Group's insurance business so as to enable FFSL to obtain the initial capital once it start its long term life insurance business. The introduction of a reputable shareholder with extensive international experiences and vision will also have a positive effect on the future management and business potential of FFSL.

The Directors consider that the Heads of Agreement are entered into upon normal commercial terms and that the terms are fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

GENERAL

The entering into of the Heads of Agreement constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules. A circular containing further details of the transaction will be despatched to the Shareholders as soon as practicable.

DEFINITIONS

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

“associate”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“Capital Expansion”	The future increases of the authorised share capital of FFSL to not less than HK\$600,000,000 and issued share capital of FFSL to HK\$600,000,000 comprising 600,000,000 ordinary shares of HK\$1.00 each after the issue of provisional approval from the Hong Kong Insurance Authority to FFSL in respect of granting the authorisation to carry on long term life insurance business in or from Hong Kong
“Company”	Freeman Corporation Limited (民豐控股有限公司), a company incorporated in the Cayman Islands with limited liability, the Shares of which are listed on the main board of the Stock Exchange
“Convertible Notes”	a series of convertible notes of up to an aggregate principal amount of HK\$1,500,000,000 issued and to be issued by the Company pursuant to a placing agreement dated 11 July 2007, as amended by a supplemental agreement dated 20 August 2007, entered into between the Company and Chung Nam Securities Limited
“Directors”	the directors of the Company
“FFSL”	Freeman Financial Services Limited, a company incorporated in Hong Kong and owned by the Vendor

“Heads of Agreement”	the heads of agreement dated 22 October 2007 entered into between the Vendor and the Purchaser in relation to the sale and purchase of the Sale Shares for a cash consideration of HK\$120,000,000
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Third Party(ies)”	third party(ies) independent of the Company and connected persons (as defined under the Listing Rules) of the Company
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Sale Shares”	120,000,000 ordinary shares of HK\$1.00 each in the issued share capital of FFSL as enlarged by the Capital Expansion
“Share(s)”	fully paid ordinary share(s) of HK\$0.10 each in the issued share capital of the Company
“Shareholder(s)”	holder(s) of the Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong

For and on behalf of the Board
Freeman Corporation Limited
Kwong Wai Tim, William
Managing Director

Hong Kong, 22 October 2007

As at the date of announcement, the Board comprises the following Directors:

Executive Directors:

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

Independent non-executive Directors:

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