

CHAIRMAN'S STATEMENT AND MANAGEMENT DISCUSSION AND ANALYSIS

The Directors of Freeman Corporation Limited hereby present the Group's annual report incorporated with the audited financial statements for the financial year ended 31st March 2006.

FINAL RESULTS

The turnover of the Group for the financial year was HK\$97,760,000 which represented an increase of 35.3% as compared to that of HK\$72,238,000 in last year. The gross profit was HK\$16,937,000 (2005: HK\$30,620,000), representing a decrease of 44.7% as compared to last year's figure. The consolidated net loss attributable to shareholders of the Group for the year was HK\$159,770,000 whilst there was a consolidated net profit of HK\$16,319,000 in last year. Loss per share was 67.46 HK cents (2005: earnings per share was 8.72 HK cents).

The loss incurred by the Group in the financial year was primarily due to the impairment loss of HK\$103,156,000 recognised in respect of trade and other receivables, the impairment loss of HK\$34,130,000 recognised in respect of available-for-sale investments and impairment loss of HK\$26,247,000 recognised in respect of loans receivable.

Administrative expenses increased from last year's figure of HK\$12,522,000 to HK\$15,559,000 in this year being in line with the increase in operating activities of the Group.

The Directors do not recommend the payment of a final dividend for the year ended 31st March 2006.

OPERATIONS REVIEW

The Group was principally engaged in the trading of securities, provision of finance, trading of goods, property holding and investment holding during the financial year. The turnover of the Group for the year comprised mainly revenue from the trading of securities, interest income from the provision of finance and trading business revenue.

Trading of securities

During the financial year, the Group has strengthened its business in securities investment and trading. Revenue from the sales of securities was amounted to HK\$48,036,000 (2005: HK\$1,000). The segment had recorded a loss of HK\$2,647,000 (2005: HK\$75,000) after taking into account of the changes in fair value of the listed securities held at year end.

Provision of finance

Turnover of the financing business was HK\$26,369,000 (2005: HK\$32,219,000) and the profit of the business was HK\$151,000 (2005: HK\$29,996,000). The decrease in the segmental profit was mainly due to the impairment loss of HK\$26,247,000 incurred in the year in relation to certain loans receivable.

CHAIRMAN'S STATEMENT AND MANAGEMENT DISCUSSION AND ANALYSIS (cont'd)

Trading of goods

During the year, the turnover of the Group's trading business had decreased to HK\$23,355,000 from last year's figure of HK\$40,018,000 as the result of the decrease in trading activities of the Group. The trading business had recorded a loss of HK\$104,030,000 (2005: profit of HK\$358,000) principally due to the impairment loss of HK\$103,156,000 on the trade and other receivables.

Property holding

The property segment of the Group recorded a loss of HK\$2,903,000 (2005: HK\$133,000) mainly because of the decrease in fair value of the investment properties located in mainland China recognised in the Group's income statement which amounted to HK\$2,700,000. In view of the improving local property market, the Group has recently placed more resources and emphasis on Hong Kong property investment opportunities. After the year end, the Group has completed as well as in the process of negotiating the acquisitions of certain high quality commercial and residential properties in Hong Kong.

Investment holding

The listed securities component of the Group's available-for-sale investments performed satisfactorily in the year. The market value of the listed securities component of the available-for-sale investments at 31st March 2006 was HK\$60,000,000. On the other hand, in relation to unlisted equity securities, there was an impairment loss of HK\$34,130,000 recognised in the year in relation to the Group's investment in Xian Yizhiliu Pharmaceutical Co., Ltd.

FINANCIAL REVIEW

Liquidity, Financial Resources and Capital Structure

As at 31st March 2006, the net current assets of the Group amounted to HK\$316,525,000 (2005: HK\$242,800,000) and the current ratio (current assets/current liabilities) was 16.2 (2005: 75.3). The bank balances and cash were HK\$30,426,000 (2005: HK\$3,744,000).

As at 31st March 2006, the Group had other borrowings of approximately HK\$12,004,000 (2005: Nil), bank overdraft of HK\$762,000 (2005: Nil) and margin financing payable of HK\$2,929,000 (2005: Nil). Gearing ratio calculated on the basis of the Group's total borrowing over shareholders' funds was 3.13% (2005: Nil) at the balance sheet date. The other borrowings, bank overdraft 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. Thus there is no exposure to fluctuations in exchange rates in relation to the borrowings.

The capital commitments of the Group at year end was approximately HK\$6,123,000 (2005: Nil). In light of the amount of liquid assets on hand and banking facility available, the Directors are of the view that the Group has sufficient financial resources to meet its ongoing operational requirements.

CHAIRMAN'S STATEMENT AND MANAGEMENT DISCUSSION AND ANALYSIS (cont'd)

The Group's assets portfolio is mainly financed by its shareholders' funds. As at 31st March 2006, the Group had shareholders' funds of HK\$501,643,000 (2005: HK\$506,720,000). During the financial year, the Company had carried out several placings of shares pursuant to which a total of 464,000,000 new shares were issued with net proceeds of approximately HK\$117,077,000 raised which were mainly used for the working capital of the Group. A total of 12,000,000 new shares were issued during the year through exercise of certain share options in accordance with the Company's share option scheme and net proceeds of approximately HK\$2,928,000 therefrom was also applied to the working capital of the Group.

The change in shareholders' funds during the financial year was principally the result of the placements of shares of the Company and the net loss of the Group of HK\$159,770,000.

Pursuant to a special resolution passed by the shareholders of the Company on 4th August 2005, a share consolidation was carried out in the year whereby every twenty shares of HK\$0.01 each in the share capital of the Company had been consolidated into one consolidated share of HK\$0.20 each.

Subsequent to the year end date, in May 2006, the shareholders of the Company had approved a proposed capital reorganization pursuant to which the nominal values of the shares of the Company will be reduced from HK\$0.20 each to HK\$0.10 each and the credit arising from such reduction plus the credit of the share premium account will be applied towards canceling the accumulated losses of the Company. The proposed capital reorganization is subject to the approval by the Grand Court of the Cayman Islands and the court's hearing of the matter has been scheduled in mid-August 2006.

Foreign Currency Management

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

Pledge of Assets

As at 31st March 2006, investments held for trading of approximately HK\$25,911,000 (2005: Nil) were pledged to a financial institution to secure margin financing provided to the Group.

Contingent Liabilities

The Group had no material contingent liabilities as of 31st March 2006.

Subsequent Events

Details of the Group's subsequent events after 31st March 2006 are set in note 36 to the financial statements.

CHAIRMAN'S STATEMENT AND MANAGEMENT DISCUSSION AND ANALYSIS (cont'd)

Employees' Remuneration Policy and Retirement Benefits Scheme

As at 31st March 2006, the Group employed about 24 staff members including directors of the Company. Staff costs incurred for the year, including directors' remuneration, was HK\$6,151,000 (2005: HK\$6,562,000).

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, include granting of share options, are structured to motivate individual performance and contributions to the Group.

The Company has adopted a share option scheme on 23rd August 2002 for the Directors and the employees.

The Group operates a defined contribution Mandatory Provident Fund retirement benefits scheme under the Mandatory Provident Fund Schemes Ordinance for its employees.

BUSINESS PROSPECTS

During the financial year, the Group continued to focus on two targets, which are to enhance the performance of the existing businesses of the Group and to explore investment opportunities to create remarkable values for shareholders.

The Group is constantly reviewing its existing businesses and possible new business opportunities. The Company has decided that it is most likely that investment into the financial services industry will become more promising than that of in the trading sector. The Group is endeavouring to further develop the businesses of provision of finance, trading of securities, property investment and investment activities. Recently, the name of the Company has been changed from Inner Mongolia Development (Holdings) Limited to Freeman Corporation Limited to reflect the dynamics business nature of the Company as well as the management's determination and its genuine wish to enhance the fruitful result for the benefit of the shareholders.

Subsequent to the balance sheet date, the Company has acquired 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. The investment in HMIL can enable the Company to integrate and strengthen its resources and enlarge the client base, with a view to the Company becoming a leading and sophisticated investment service advisor and finance provider in the market.

CHAIRMAN'S STATEMENT AND MANAGEMENT DISCUSSION AND ANALYSIS (cont'd)

The management is optimistic about the Group's performance in the coming years and anticipates that the Group's businesses will be benefited under the continued substantial growth of the global economy (including that of both the mainland China and Hong Kong).

APPRECIATION

The Directors would like to express its gratitude to all shareholders, business partners, banks, professional parties and employees of the Company for their continuous patronage and support.

By order of the Board

Yau Shum Tek, Cindy
Chairman

Hong Kong, 27th July 2006