

## AUDITORS' REPORT

**Deloitte.**

德勤

**TO THE SHAREHOLDERS OF FREEMAN CORPORATION LIMITED  
(FORMERLY KNOWN AS HANSOM EASTERN (HOLDINGS) LIMITED AND INNER MONGOLIA DEVELOPMENT  
(HOLDINGS) LIMITED**

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

We have audited the consolidated financial statements of Freeman Corporation Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") on pages 24 to 71 which have been prepared in accordance with accounting principles generally accepted in Hong Kong.

**RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS**

The Company's directors are responsible for the preparation of consolidated financial statements which give a true and fair view. In preparing consolidated financial statements which give a true and fair view it is fundamental that appropriate accounting policies are selected and applied consistently.

It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

**BASIS OF OPINION**

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants except that the scope of our work was limited as explained below.

An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the consolidated financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the consolidated financial statements, and of whether the accounting policies are appropriate to the circumstances of the Group, consistently applied and adequately disclosed.

We planned our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance as to whether the consolidated financial statements are free from material misstatement. However, the evidence available to us was limited as follows. As described in note 23 to the consolidated financial statements, during the year the Group entered into a contract to purchase steel products from a supplier in the People's Republic of China at a fixed price (with an upward price adjustment based on the production costs of the supplier), and placed a deposit of approximately HK\$212,596,000 with the supplier. Subsequent to the conclusion of the contract, the steel price decreased. As such the directors believe that it is currently uneconomical to take delivery of the steel products in terms of the contract and the Group is trying to negotiate with the supplier to amend the trading terms or for a refund of the deposit.

The Group has not placed any purchase orders for steel products from this supplier during the year. Subsequent to the balance sheet date the Group entered into an agreement to dispose of 55% of its interest in a group of subsidiaries, whose only significant asset is this deposit, to an independent third party for a consideration of HK\$128,000,000. The completion of this disposal is still subject to the satisfactory completion of legal and financial due diligence on the relevant companies being performed by the purchaser and the approval of the Company's shareholders. As the outcome of the negotiations with the supplier cannot be predicted at this time, the directors are of the opinion that the deposit is significantly impaired, and as such an impairment loss of HK\$84,596,000 has been recognised. This amount was calculated with reference to the proceeds that would be realised on the partial disposal of the subsidiaries referred to above. However we were unable to obtain sufficient audit evidence in respect of the amount of this impairment loss. There were no other satisfactory audit procedures that we could adopt to satisfy ourselves as to whether the amount of the impairment loss recognised is fairly stated. Any adjustments found to be necessary may have an effect on the net assets of the Group as at 31st March 2006 and its loss for the year then ended.

In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements. We believe that our audit provides a reasonable basis for our opinion.

### **QUALIFIED OPINION ARISING FROM LIMITATION OF AUDIT SCOPE**

Except for any adjustments that might have been found to be necessary had we been able to obtain sufficient evidence concerning the impairment loss recognised in respect of the trade deposit paid referred to in the "basis of opinion" section of this report, in our opinion the consolidated financial statements give a true and fair view of the state of the affairs of the Group as at 31st March 2006 and of the loss and cash flows of the Group for the year then ended and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

In respect alone of the limitation on our work relating to the impairment loss recognised in respect of the trade deposit paid referred to above we have not obtained all the information and explanations that we considered necessary for the purposes of our audit.

**Deloitte Touche Tohmatsu**  
*Certified Public Accountants*  
Hong Kong  
27th July 2006