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## **FREEMAN FINANCIAL CORPORATION LIMITED**

### **民豐企業控股有限公司**

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

**(Stock Code: 279)**

## **FINAL RESULTS FOR THE YEAR ENDED 31 MARCH 2013**

### **FINAL RESULTS**

The Board of Directors (the “Board”) of Freeman Financial Corporation Limited (the “Company”) announces the consolidated results of the Company and its subsidiaries (the “Group”) for the year ended 31 March 2013, which have been reviewed by the Audit Committee, as follows:

### **CONSOLIDATED INCOME STATEMENT**

*Year ended 31 March 2013*

	<i>Notes</i>	<b>2013 HK\$'000</b>	<b>2012 HK\$'000</b>
<b>CONTINUING OPERATIONS</b>			
<b>REVENUE</b>	4	<b>75,701</b>	8,759
Cost of sales		<u>(502)</u>	<u>(4,175)</u>
<b>Gross profit</b>		<b>75,199</b>	4,584
Other income and gains	4	<b>59,416</b>	8,156
Fair value gains/(losses) on investments at fair value through profit or loss, net		<b>186,340</b>	(463,748)
General and administrative expenses		<b>(32,792)</b>	(38,367)
Other expenses, net		<b>(1,398)</b>	(23,659)
Finance costs	6	<b>(9,251)</b>	(8,483)
Share of profits and losses of associates		<u><b>51,700</b></u>	<u>(140,818)</u>

	<i>Notes</i>	<b>2013</b> <b>HK\$'000</b>	2012 <i>HK\$'000</i>
<b>PROFIT/(LOSS) BEFORE TAX FROM CONTINUING OPERATIONS</b>	5	<b>329,214</b>	(662,335)
Income tax expense	7	<u>(1,792)</u>	<u>278</u>
<b>PROFIT/(LOSS) FOR THE YEAR FROM CONTINUING OPERATIONS</b>		<b>327,422</b>	(662,057)
<b>DISCONTINUED OPERATION</b>			
Profit for the year from the discontinued operation	8	<u>–</u>	<u>24,134</u>
<b>PROFIT/(LOSS) FOR THE YEAR</b>		<u><b>327,422</b></u>	<u>(637,923)</u>
Attributable to:			
Owners of the Company		<b>327,502</b>	(639,172)
Non-controlling interest		<u>(80)</u>	<u>1,249</u>
		<u><b>327,422</b></u>	<u>(637,923)</u>
<b>EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY</b>	9		
Basic and diluted:			<i>(Restated)</i>
For earnings/(loss) for the year		<u><b>HK\$3.56</b></u>	<u>(HK\$20.84)</u>
For earnings/(loss) from continuing operations		<u><b>HK\$3.56</b></u>	<u>(HK\$21.62)</u>

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 March 2013

	2013 <i>HK\$'000</i>	2012 <i>HK\$'000</i>
<b>PROFIT/(LOSS) FOR THE YEAR</b>	<b><u>327,422</u></b>	<b><u>(637,923)</u></b>
<b>OTHER COMPREHENSIVE INCOME</b>		
An available-for-sale investment:		
Change in fair value	17,068	(6,282)
Impairment loss reclassified to the consolidated income statement	1,398	6,282
Reclassification of cumulative gains to the consolidated income statement upon disposal	(18,466)	–
Share of other comprehensive income/(loss) of associates, net	(12,927)	14,861
Exchange differences on translation of foreign operations	–	8
Release of exchange fluctuation reserve upon disposal of subsidiaries	–	(120)
<b>OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR, NET OF TAX</b>	<b><u>(12,927)</u></b>	<b><u>14,749</u></b>
<b>TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR</b>	<b><u>314,495</u></b>	<b><u>(623,174)</u></b>
Attributable to:		
Owners of the Company	314,575	(624,423)
Non-controlling interest	(80)	1,249
	<b><u>314,495</u></b>	<b><u>(623,174)</u></b>

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 March 2013

	<i>Notes</i>	2013 <i>HK\$'000</i>	2012 <i>HK\$'000</i>
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment		3,885	3,990
Investment in an associate		1,102,754	904,742
Intangible asset		339	339
Available-for-sale investments		1,986	137,693
Loans receivable		1,411	–
Note receivable		7,711	7,711
Deferred tax assets		47	47
Total non-current assets		<u>1,118,133</u>	<u>1,054,522</u>
<b>CURRENT ASSETS</b>			
Accounts receivable	10	136,886	42,365
Loans receivable		4,623	2,007
Prepayments, deposits and other receivables		2,026	2,555
Investments at fair value through profit or loss		1,380,032	891,116
Cash and bank balances		180,594	235,881
Total current assets		<u>1,704,161</u>	<u>1,173,924</u>
<b>CURRENT LIABILITIES</b>			
Accounts payable	11	11,853	2,304
Other payables and accruals		4,161	4,391
Interest-bearing other borrowings		303,506	268,142
Tax payable		2,852	2,244
Total current liabilities		<u>322,372</u>	<u>277,081</u>
<b>NET CURRENT ASSETS</b>		<u>1,381,789</u>	<u>896,843</u>
<b>NET ASSETS</b>		<u><u>2,499,922</u></u>	<u><u>1,951,365</u></u>

	<b>2013</b> <i>HK\$'000</i>	2012 <i>HK\$'000</i>
<b>EQUITY</b>		
<b>Equity attributable to owners of the Company</b>		
Issued capital	<b>42,017</b>	12,256
Reserves	<b>2,457,905</b>	1,923,231
	<b>2,499,922</b>	1,935,487
<b>Non-controlling interest</b>	<b>–</b>	15,878
Total equity	<b><u>2,499,922</u></b>	<b><u>1,951,365</u></b>

## 1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“HKASs”) and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for certain available-for-sale investments and investments at fair value through profit or loss, which have been measured at fair value. These financial statements are presented in Hong Kong dollars and all values are rounded to the nearest thousand except when otherwise indicated.

### 2.1 CHANGES IN ACCOUNTING POLICY AND DISCLOSURES

The Group has adopted the following revised HKFRSs for the first time for the current year’s financial statements.

HKFRS 1 Amendments	Amendments to HKFRS 1 <i>First-time Adoption of Hong Kong Financial Reporting Standards – Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters</i>
HKFRS 7 Amendments	Amendments to HKFRS 7 <i>Financial Instruments: Disclosures – Transfers of Financial Assets</i>
HKAS 12 Amendments	Amendments to HKAS 12 <i>Income Taxes – Deferred Tax: Recovery of Underlying Assets</i>

The adoption of the revised HKFRSs has had no significant financial effect on these financial statements.

### 2.2 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in these financial statements.

HKFRS 1 Amendments	Amendments to HKFRS 1 <i>First-time Adoption of Hong Kong Financial Reporting Standards – Government Loans</i> <sup>2</sup>
HKFRS 7 Amendments	Amendments to HKFRS 7 <i>Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities</i> <sup>2</sup>
HKFRS 9	<i>Financial Instruments</i> <sup>4</sup>
HKFRS 9 and HKFRS 7 Amendments	Amendments to HKFRS 9 and HKFRS 7 – <i>Mandatory Effective Date of HKFRS 9 and Transition Disclosures</i> <sup>4</sup>
HKFRS 10	<i>Consolidated Financial Statements</i> <sup>2</sup>
HKFRS 11	<i>Joint Arrangements</i> <sup>2</sup>
HKFRS 12	<i>Disclosure of Interests in Other Entities</i> <sup>2</sup>
HKFRS 10, HKFRS 11 and HKFRS 12 Amendments	Amendments to HKFRS 10, HKFRS 11 and HKFRS 12 – <i>Transition Guidance</i> <sup>2</sup>

HKFRS 10, HKFRS 12 and HKAS 27 (2011) Amendments	Amendments to HKFRS 10, HKFRS 12 and HKAS 27 (2011) – <i>Investment Entities</i> <sup>3</sup>
HKFRS 13	<i>Fair Value Measurement</i> <sup>2</sup>
HKAS 1 Amendments	Amendments to HKAS 1 <i>Presentation of Financial Statements</i> – <i>Presentation of Items of Other Comprehensive Income</i> <sup>1</sup>
HKAS 19 (2011)	<i>Employee Benefits</i> <sup>2</sup>
HKAS 27 (2011)	<i>Separate Financial Statements</i> <sup>2</sup>
HKAS 28 (2011)	<i>Investments in Associates and Joint Ventures</i> <sup>2</sup>
HKAS 32 Amendments	Amendments to HKAS 32 <i>Financial Instruments:</i> <i>Presentation – Offsetting Financial Assets and Financial Liabilities</i> <sup>3</sup>
HK(IFRIC)-Int 20 <i>Annual Improvements</i> <i>2009-2011 Cycle</i>	<i>Stripping Costs in the Production Phase of a Surface Mine</i> <sup>2</sup> Amendments to a number of HKFRSs issued in June 2012 <sup>2</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 July 2012

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2013

<sup>3</sup> Effective for annual periods beginning on or after 1 January 2014

<sup>4</sup> Effective for annual periods beginning on or after 1 January 2015

The Group is in the process of making an assessment of the impact of these new and revised HKFRSs upon initial application but is not yet in a position to state whether these new and revised HKFRSs would have a significant impact on its financial statements.

### 3. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organized into business units based on their products and services and has reportable operating segments as follows:

- (a) the trading of securities segment engages in the purchase and sale of securities and the securities investment;
- (b) the provision of finance segment engages in the provision of financing services in Hong Kong;
- (c) the insurance brokerage business segment engages in insurance brokerage business and the provision of financial planning and related services;
- (d) securities brokerage, placing, underwriting and margin financing in Hong Kong;
- (e) the investment holding segment engages in holding investments for continuing strategic or long term purposes, primarily for their dividend income and capital appreciation;
- (f) the corporate finance advisory segment engages in corporate finance advisory services and related activities; and

- (g) the property holding and investment segment engaged primarily in the investments in commercial and residential properties for their rental income potential and/or their appreciation in values. During the year ended 31 March 2012, the property holding and investment segment was classified as a discontinued operation of the Group. Further details are set out in note 8.

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit/(loss), which is a measure of adjusted profit/(loss) before tax. The adjusted profit/(loss) before tax is measured consistently with the Group's profit/(loss) before tax except that bank and other interest income (excluding interest income from provision of finance), finance costs as well as head office and corporate expenses are excluded from such measurement.

Intersegment transactions are made with reference to the prices used for services made to third parties at the then prevailing market prices.

### Year ended 31 March 2013/As at 31 March 2013

	Continuing operations						Discontinued operation		Total HK\$'000
	Trading of securities HK\$'000	Provision of finance HK\$'000	Insurance brokerage business HK\$'000	Securities brokerage, placing, underwriting and margin financing HK\$'000	Investment holding HK\$'000	Corporate finance advisory HK\$'000	Subtotal HK\$'000	Property holding and investment HK\$'000	
<b>Segment revenue:</b>									
Sales to external customers	44,739	4,559	626	23,842	-	1,935	75,701	-	75,701
Intersegment sales	-	-	-	-	-	-	-	-	-
	44,739	4,559	626	23,842	-	1,935	75,701	-	75,701
<i>Reconciliation:</i>									
Elimination of intersegment sales							-	-	-
Total revenue							<u>75,701</u>	<u>-</u>	<u>75,701</u>
<b>Segment results</b>	231,161	4,402	38	17,048	103,043	934	356,626	-	356,626
<i>Reconciliation:</i>									
Bank interest income							59	-	59
Other interest income							931	-	931
Corporate and other unallocated expenses							(19,151)	-	(19,151)
Finance costs							(9,251)	-	(9,251)
Profit before tax							<u>329,214</u>	<u>-</u>	<u>329,214</u>



Year ended 31 March 2013/As at 31 March 2013

	Continuing operations						Discontinued	Total
	Trading of securities <i>HK\$'000</i>	Provision of finance <i>HK\$'000</i>	Insurance brokerage business <i>HK\$'000</i>	Securities brokerage, placing, underwriting and margin financing <i>HK\$'000</i>	Investment holding <i>HK\$'000</i>	Corporate finance advisory <i>HK\$'000</i>	Property holding and investment <i>HK\$'000</i>	
<b>Other segment information:</b>								
Share of profits and losses of associates	-	-	-	-	51,700	-	51,700	51,700
Impairment of an available-for-sale investment	-	-	-	-	(1,398)	-	(1,398)	(1,398)
Depreciation								
– operating segment	-	-	-	(410)	-	-	(410)	(410)
– unallocated							(848)	(848)
							<u>(1,258)</u>	<u>(1,258)</u>
Investment in an associate	-	-	-	-	1,102,754	-	1,102,754	1,102,754
Capital expenditure								
– operating segment	-	-	-	940	-	-	940	940
– unallocated							232	232
							<u>1,172*</u>	<u>1,172*</u>

\* Capital expenditure represented additions to property, plant and equipment.

**Year ended 31 March 2012/As at 31 March 2012**

	Continuing operations						Discontinued operation		Total HK\$'000
	Trading of securities HK\$'000	Provision of finance HK\$'000	Insurance brokerage business HK\$'000	Securities brokerage, placing, underwriting and margin financing HK\$'000	Investment holding HK\$'000	Corporate finance advisory HK\$'000	Subtotal HK\$'000	Property holding and investment HK\$'000	
<b>Segment revenue:</b>									
Sales to external customers	(25,755)	11,221	3,983	13,336	5,974	-	8,759	288	9,047
Intersegment sales	-	-	-	-	-	-	-	-	-
	(25,755)	11,221	3,983	13,336	5,974	-	8,759	288	9,047
<i>Reconciliation:</i>									
Elimination of intersegment sales							-	-	-
Total revenue							<u>8,759</u>	<u>288</u>	<u>9,047</u>
<b>Segment results</b>	(486,502)	10,489	(1,809)	8,294	(167,877)	-	(637,405)	24,134	(613,271)
<i>Reconciliation:</i>									
Bank interest income							8	-	8
Other interest income							1,002	-	1,002
Corporate and other unallocated expenses							(17,457)	-	(17,457)
Finance costs							(8,483)	-	(8,483)
Profit/(loss) before tax							<u>(662,335)</u>	<u>24,134</u>	<u>(638,201)</u>
<b>Other segment information:</b>									
Share of profits and losses of associates	-	-	-	-	(140,818)	-	(140,818)	-	(140,818)
Impairment of an available-for-sale investment	-	-	-	-	(6,282)	-	(6,282)	-	(6,282)
Impairment of other receivables	-	-	-	-	(2,700)	-	(2,700)	-	(2,700)
Reversal of impairment of a loan receivable	-	526	-	-	-	-	526	-	526
Depreciation									
- operating segment	-	-	(22)	(98)	(6)	-	(126)	-	(126)
- unallocated							(768)	-	(768)
							<u>(894)</u>		<u>(894)</u>
Investment in an associate	-	-	-	-	904,742	-	904,742	-	904,742
Capital expenditure									
- operating segment	-	-	-	679	168,083	-	168,762	-	168,762
- unallocated							342	-	342
							<u>169,104*</u>		<u>169,104*</u>

\* Capital expenditure consists of additions to property, plant and equipment, available-for-sale investments and an intangible asset including assets from the acquisition of a subsidiary.

## Geographical information

- (a) The Group's revenue is derived from its external customers in Hong Kong.
- (b) Non-current assets

	2013 <i>HK\$'000</i>	2012 <i>HK\$'000</i>
Hong Kong	<u>1,106,978</u>	<u>909,071</u>

The non-current asset information above is based on the location of assets and excludes financial instruments and deferred tax assets.

## Information about major customers

Included in revenue arising from major customers as below segments individually accounted for over 10% of the Group's revenue for the year:

	2013 <i>HK\$'000</i>	2012 <i>HK\$'000</i>
Provision of finance	–	10,790
Securities brokerage, placing, underwriting and margin financing	<u>3,279</u>	<u>3,326</u>

The Group's dividend income and gains/(losses) from the sale of investments at fair value through profit or loss are excluded from total revenue for the purpose of identifying major customers of the Group who accounted for over 10% of the Group's revenue.

## 4. REVENUE, OTHER INCOME AND GAINS

Revenue, which is also the Group's turnover, under continuing operations, represents interest income earned from provision of finance; dividend income from equity investments; net gains/(losses) from the sale of investments at fair value through profit or loss; insurance brokerage income; corporate finance advisory fee; commission and brokerage income from securities dealings; commission from underwriting and placing services; and interest income on margin financing activities during the year. The gross rental income received and receivable from investment properties was included under the revenue of the discontinued operation as set out in note 8.

An analysis of revenue, other income and gains is as follows:

	<i>Note</i>	<b>2013</b> <i>HK\$'000</i>	2012 <i>HK\$'000</i>
<b>Revenue</b>			
Interest income from provision of finance		<b>4,559</b>	11,221
Dividend income from investments at fair value through profit or loss		<b>19,115</b>	12,579
Dividend income from an available-for-sale investment		–	5,974
Gains/(losses) from the sale of investments at fair value through profit or loss, net ( <i>Note</i> )		<b>25,624</b>	(38,334)
Insurance brokerage income		<b>626</b>	3,983
Corporate finance advisory fee		<b>1,935</b>	–
Commission and brokerage income from securities dealings		<b>1,045</b>	1,179
Commission from underwriting and placing services		<b>10,621</b>	10,355
Interest income on margin financing activities		<b>12,176</b>	1,802
		<hr/>	<hr/>
Attributable to continuing operations		<b>75,701</b>	8,759
Attributable to the discontinued operation	8	–	288
		<hr/>	<hr/>
		<b>75,701</b>	9,047
		<hr/> <hr/>	<hr/> <hr/>
<b>Other income and gains</b>			
Bank interest income		<b>59</b>	8
Other interest income		<b>931</b>	1,002
Gain on changes in shareholding interests in associates, net		<b>39,243</b>	1,501
Gain on disposal of an available-for-sale investment		<b>18,466</b>	–
Gain on disposal of subsidiaries, net		–	265
Reversal of impairment of a loan receivable		–	526
Foreign exchange differences, net		–	120
Others		<b>717</b>	4,734
		<hr/>	<hr/>
Attributable to continuing operations		<b>59,416</b>	8,156
Attributable to the discontinued operation	8	–	23,899
		<hr/>	<hr/>
		<b>59,416</b>	32,055
		<hr/> <hr/>	<hr/> <hr/>

*Note:* The gross proceeds from sale of investments at fair value through profit or loss for the year are approximately HK\$209,498,000 (2012: HK\$219,878,000).

## 5. PROFIT/(LOSS) BEFORE TAX

The Group's profit/(loss) before tax is arrived at after charging/(crediting) the amounts as set out below. The disclosures presented in this note include those amounts charged/(credited) in respect of the discontinued operation.

	<b>2013</b>	2012
	<b>HK\$'000</b>	HK\$'000
Depreciation	<b>1,258</b>	894
Employee benefit expenses (excluding directors' remuneration):		
Wages, salaries and allowances	<b>6,178</b>	6,196
Retirement benefit scheme contributions (defined contribution schemes)*	<b>230</b>	155
	<u><b>6,408</b></u>	<u>6,351</u>
Auditors' remuneration	<b>3,388</b>	3,345
Minimum lease payments under operating leases in respect of land and buildings	<b>7,737</b>	5,991
Loss on disposal/write-off of items of property, plant and equipment	<b>19</b>	32
Impairment of an available-for-sale investment**	<b>1,398</b>	6,282
Direct operating expenses arising on rental-earning investment properties	–	23
Rental income on investment properties less direct operating expenses of HK\$Nil (2012: HK\$23,000)	–	(265)
Gain on disposal of subsidiaries, net	–	(24,164)
Fair value changes on derivative financial instruments, net**	–	14,677
Impairment of other receivables**	–	2,700
Reversal of impairment of a loan receivable	–	(526)
	<u><u><b>–</b></u></u>	<u><u>(526)</u></u>

\* At 31 March 2013, the Group had no material forfeited contributions available to reduce its contributions to the retirement benefit schemes in future years (2012: Nil).

\*\* These balances are included in "Other expenses, net" in the consolidated income statement.

## 6. FINANCE COSTS

An analysis of finance costs is as follows:

	2013 <i>HK\$'000</i>	2012 <i>HK\$'000</i>
Interests on bank loans and other loans wholly repayable within five years or on demand and attributable to continuing operations	<u>9,251</u>	<u>8,483</u>

## 7. INCOME TAX EXPENSE

Hong Kong profits tax has been provided at the rate of 16.5% (2012: 16.5%) on the estimated assessable profits arising in Hong Kong during the year.

	2013 <i>HK\$'000</i>	2012 <i>HK\$'000</i>
Group:		
Current – Hong Kong		
Charge for the year	1,792	2,244
Overprovision in prior year	–	(2,475)
Deferred	<u>–</u>	<u>(47)</u>
Tax charge/(credit) attributable to continuing operations	<u>1,792</u>	<u>(278)</u>

The share of tax attributable to associates amounting to HK\$1,271,000 (2012: HK\$998,000) is included in “Share of profits and losses of associates” in the consolidated income statement.

## 8. DISCONTINUED OPERATION

In April 2011, the Company disposed of the Group's entire interest in Future Master Investments Limited and its subsidiaries ("Future Master Group"). Future Master Group's principal business was property investment that held commercial properties in Hong Kong. After the disposal of Future Master Group, the Group discontinued its property holding and investment operation.

The results of Future Master Group for the year ended 31 March 2012 are presented below.

	<i>Note</i>	<i>HK\$'000</i>
Revenue	4	288
General and administrative expenses		<u>(53)</u>
Profit before tax from the discontinued operation		235
Gain on disposal of the discontinued operation	4	<u>23,899</u>
Profit for the year from the discontinued operation		<u><u>24,134</u></u>
		<i>(Restated)</i>
Earnings per share:		
Basic and diluted, from the discontinued operation		<u><u>HK\$0.78</u></u>
The calculations of basic earnings per share from the discontinued operation are based on:		
Profit attributable to ordinary equity holders of the Company from the discontinued operation		HK\$24,134,000
		<i>(Restated)</i>
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation ( <i>note 9</i> )		<u><u>30,674,746</u></u>

## 9. EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY

### (a) *Basic earnings/(loss) per share*

The calculation of basic earnings (2012: loss) per share amounts is based on the profit (2012: loss) for the year attributable to ordinary equity holders of the Company of HK\$327,502,000 (2012: loss of HK\$639,172,000), and the weighted average number of 91,912,471 (2012: 30,674,746, as restated) ordinary shares in issue during the year. The basic earnings/(loss) per share amounts for the years ended 31 March 2013 and 2012 have been adjusted to reflect share consolidations and rights issues during respective reporting periods and/or subsequent to respective end of the reporting periods.

The calculation of basic earnings (2012: loss) per share amounts from continuing operations is based on the profit (2012: loss) for the year from continuing operations attributable to ordinary equity holders of the Company of HK\$327,502,000 (2012: loss of HK\$663,306,000) and the weighted average number of 91,912,471 (2012: 30,674,746, as restated) ordinary shares in issue during the year. The basic earnings/(loss) per share amounts from continuing operations for the years ended 31 March 2013 and 2012 have been adjusted to reflect share consolidations and rights issues during respective reporting periods and/or subsequent to respective end of the reporting periods.

### (b) *Diluted earnings/(loss) per share*

The Group had no potentially dilutive ordinary shares in issue during the years ended 31 March 2013 and 2012.

## 10. ACCOUNTS RECEIVABLE

	2013 <i>HK\$'000</i>	2012 <i>HK\$'000</i>
Accounts receivable arising from the ordinary course of business of:		
– Dealing in securities:		
Clearing houses	88	4,707
Cash clients	–	48
Margin clients	136,763	37,610
– Insurance brokerage business	35	–
	<u>136,886</u>	<u>42,365</u>

The settlement terms of accounts receivable attributable to the dealing in securities transactions are two days after trade date except for the balance with margin clients which are repayable on demand. The trading terms with customers of insurance brokerage business are mainly on credit, except for new customers where payment in advance is normally required. The credit period of insurance brokerage business is generally 30 days, extending up to 90 days for major customers.



The above balances are all aged within 60 days, based on the trade date.

As at 31 March 2013, except for margin loans receivable of HK\$136,763,000 (2012: HK\$37,610,000), which were secured by underlying equity securities, the Group did not hold any collateral or other credit enhancements over these balances.

Trading limits are set for customers. The Group seeks to maintain tight control over its outstanding accounts receivable in order to minimise the credit risk. Overdue balances are regularly monitored by management.

Accounts receivable as at 31 March 2013 and 2012 relate to a number of independent clients that have a good track record with the Group and were not impaired. Based on past experience, the directors of the Company were of the opinion that no provision for impairment was necessary in respect of these balances as there had not been a significant change in credit quality and the balances were still considered fully recoverable as at 31 March 2013 and 2012.

## **11. ACCOUNTS PAYABLE**

The balances as at 31 March 2013 and 2012 were all aged within 30 days.

## **FINAL DIVIDEND**

The Directors do not recommend the payment of a final dividend for the year ended 31 March 2013 (2012: Nil).

## **BUSINESS REVIEW**

The Group's consolidated net profit for the year was approximately HK\$327.4 million (2012: net loss of HK\$637.9 million). The consolidated net assets of the Group increased from approximately HK\$1,951.4 million as at 31 March 2012 to approximately HK\$2,499.9 million as at 31 March 2013. The consolidated net profit was mainly attributable to (i) realised and unrealised gains from securities trading business; (ii) net gains on changes in shareholding interests in associates; and (iii) share of profits of associates.

In April 2012, Cordoba Homes Limited ("Cordoba"), in which the Group owned approximately 5.26% shareholding interest and accounted for as an available-for-sale investment as at 31 March 2012, underwent a reorganization ("Cordoba Reorganization") pursuant to which each of the then shareholders of Cordoba exchanged its shares in Cordoba for the same amount of shares in HEC Capital Limited ("HEC"), a special purpose vehicle formed as the holding company of Cordoba incorporated in the Cayman Islands. Upon completion of Cordoba Reorganization, the Group owned approximately 5.26% shareholding interest in HEC.

In May 2012, Allied Weli Development Limited ("Allied Weli"), a former associate of the Group, underwent a reorganization (the "Reorganization") without Allied Weli shareholders' involvement, pursuant to which the Group's shares in Allied Weli were cancelled and exchanged for the same amount of shares in HEC. Upon completion of the Reorganization, the Group owned approximately 27.70% shareholding interest in HEC. Subsequent to further share transactions undertaken by HEC during the year, the Group's shareholding interest in HEC was further diluted to approximately 19.57% as at 31 March 2013.

The Company completed a rights issue and issued 2,451,124,742 new shares with par value of HK\$0.01 each at a subscription price of HK\$0.10 each in May 2012 and raised net proceeds of approximately HK\$239.2 million. In July 2012, the Company also completed a share consolidation to consolidate every five issued and unissued shares of HK\$0.01 each into one consolidated share of HK\$0.05 each.

In September 2012, Freeman Corporate Finance Limited, a wholly owned subsidiary of the Company with principal activity in the provision of corporate finance advisory services, obtained the license of type 6 (Advising on Corporate Finance) regulated activity under the Securities and Futures Ordinance from the Securities and Futures Commission and commenced business since then.

In December 2012, the Company announced its intention to effect a capital reorganization (“Capital Reorganization”) which included a share consolidation of every ten shares with par value of HK\$0.05 each into one consolidated share with par value of HK\$0.50 and a capital reduction to reduce the par value of the consolidated share from HK\$0.50 each to HK\$0.01 each by cancellation of the paid-up capital to the extent of HK\$0.49 on each consolidated share. The Capital Reorganization became effective in May 2013. The authorised share capital of the Company of HK\$5,000,000,000 divided into 100,000,000,000 shares of HK\$0.05 each was adjusted to 500,000,000,000 shares of HK\$0.01 each upon completion of Capital Reorganization.

In December 2012, the Company also announced its intention to conduct a rights issue (“Rights Issue”) and proposed to issue 191,187,728 rights shares at a subscription price of HK\$0.85 per rights share. Total net proceeds of approximately HK\$155.9 million are expected to be raised from the Rights Issue. The Rights Issue has not yet completed up to the date of this announcement.

In March 2013, the Group entered into a sale and purchase agreement (“FSL Acquisition Agreement”) with an independent third party to acquire approximately 8.77% shareholding interest in Freeman Securities Limited (“FSL Acquisition”). According to the FSL Acquisition Agreement, the consideration for the FSL Acquisition was HK\$16,140,000, and was satisfied by a sum of HK\$5,115,000 in cash and 105,000,000 new shares of the Company with par value of HK\$0.05 each. Freeman Securities Limited (“FSL”) is a subsidiary of the Company with principal activities in the provision of securities brokerage services and trading of securities. The FSL Acquisition was completed in late March 2013 and FSL became a wholly-owned subsidiary of the Company as at 31 March 2013.

## **FINANCIAL REVIEW**

Turnover from continuing operations significantly increased by approximately 760.2% to HK\$75.7 million from HK\$8.8 million in 2012. Income from sale of securities included in the trading of securities segment recorded a net profit of HK\$25.6 million (2012: net loss of HK\$38.3 million) as certain listed securities were sold at a profit. Dividend income from trading investments and an available-for-sale investment slightly increased by approximately 2.7% to HK\$19.1 million as compared to HK\$18.6 million in 2012. Loan financing market continued to be competitive and interest income from provision of finance decreased by approximately 58.9% to HK\$4.6 million as compared to HK\$11.2 million in 2012. Income from the financial services segment, including the services of securities brokerage, placing, underwriting and margin financing, was HK\$23.8 million, representing an increase of approximately 78.9% as compared to HK\$13.3 million in 2012 as the Group had undertaken a number of sizeable underwriting, sub-underwriting, placing and sub-placing transactions during the year. Insurance brokerage income and corporate finance advisory income were not significant for the year as the subsidiaries for insurance brokerage segment and corporate finance advisory segment were still exploring market opportunities and developing their businesses. The Group recorded a net profit from discontinued operation of HK\$24.1 million in 2012 and there was no similar profit for the year.

Gross profit from continuing operations was approximately HK\$75.2 million (2012: HK\$4.6 million), representing a substantial increase of approximately 1,534.8% as compared to last year. It was mainly due to increase in income from financial services and profit from sale of securities.

Other income and gains from continuing operations increased by approximately 624.4% to HK\$59.4 million for the year (2012: HK\$8.2 million) which was mainly attributable to the net gain on changes in shareholding interests in associates of HK\$39.2 million (2012: HK\$1.5 million) and net gain on disposal of an available-for-sale investment of HK\$18.5 million (2012: Nil). The Group also recorded a significant unrealised fair value gain on securities held for trading of approximately HK\$186.3 million for the year (2012: loss of HK\$463.7 million). The performance of associates improved significantly for the year which contributed a share of profits of HK\$51.7 million (2012: loss of HK\$140.8 million) to the Group. Cost saving is a continuous aim in monitoring daily operations by the Group. This year, general and administrative expenses from continuing operations were HK\$32.8 million, representing a decrease of approximately 14.6% as compared to HK\$38.4 million in 2012. Finance costs increased by approximately 9.4% to HK\$9.3 million for the year (2012: HK\$8.5 million) as more interest expenses were incurred on other borrowings. During the year, all direct expenses related to issuance of new shares were set off against the Company's reserve.

Net profit attributable to shareholders of the Company for the year was approximately HK\$327.5 million (2012: net loss of HK\$639.2 million). Earnings per share was HK\$3.56 (2012: loss per share of HK\$20.84 as restated).

## **LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE**

As at 31 March 2013, the net current assets of the Group amounted to HK\$1,381.8 million (2012: HK\$896.8 million) and the current ratio (current assets/current liabilities) was 5.3 (2012: 4.2). Cash and bank balances were HK\$180.6 million (2012: HK\$235.9 million). As at 31 March 2013, the Group had secured other borrowings of HK\$303.5 million (2012: HK\$268.1 million). Gearing ratio, calculated on the basis of the Group's interest-bearing borrowings divided by the equity attributable to owners of the Company, was 12.1% (2012: 13.9%) at the end of the reporting period. The other borrowings of the Group carried floating interest rates calculated by reference to the Hong Kong dollar prime rate or lender's cost of funds and were made in Hong Kong dollar, and the Group's exposure to foreign exchange rate was minimal. The Group did not have any financial instruments used for hedging purpose.

The Group's assets portfolio is mainly financed by its shareholders' funds. As at 31 March 2013, the Group had shareholders' funds of HK\$2,499.9 million (2012: HK\$1,935.5 million). During the year, the Company raised net proceeds from issue of new shares of HK\$239.2 million which were used as the general working capital of the Company, as well as funding for the Group's securities brokerage business, strategic investments and investments in marketable securities. In light of the amount of liquid assets on hand and banking facilities available, the Directors are of the view that the Group has sufficient financial resources to meet its ongoing operational requirements.

## **PLEDGE OF ASSETS**

As at 31 March 2013, investments held for trading of HK\$1,380.0 million (2012: HK\$891.1 million) and an available-for-sale investment of HK\$2.0 million (2012: HK\$17.7 million) were pledged to financial institutions to secure margin-financing facilities provided to the Group.

## **MATERIAL ACQUISITIONS/DISPOSALS**

Details of material acquisitions/disposals during the year are set out in the section “Business Review”.

## **CAPITAL COMMITMENTS**

The Group had no material capital commitment as at 31 March 2013 (2012: Nil).

## **CONTINGENT LIABILITIES**

As at 31 March 2012, the Group had provided guarantees to banks in respect of mortgage loans borrowed by some property investment subsidiaries (which were disposed by the Group in April 2011) for a term of one year up to April 2012, and the amount then outstanding under the mortgage loans was approximately HK\$64.5 million. These guarantees were subsequently released by the banks during the year and the Group had no material contingent liabilities as at 31 March 2013.

## **EMPLOYEES’ REMUNERATION POLICY AND RETIREMENT BENEFITS SCHEME**

As at 31 March 2013, the Group employed 24 staff members including directors of the Company (2012: 32 staff). Staff costs incurred for the year, including directors’ remuneration, were approximately HK\$12.5 million (2012: HK\$13.0 million). It was the remuneration policy of the Group to reward its employees with reference to their qualifications, experience and work performance as well as market benchmarks. Remuneration packages, include granting of share options, were structured to motivate individual performance and contributions to the Group. The Company has adopted a share option scheme and the Group operates a defined contribution Mandatory Provident Fund retirement benefits scheme under the Mandatory Provident Fund Schemes Ordinance for its employees.

## **EVENTS AFTER THE REPORTING PERIOD**

In April 2013, the Group granted options to subscribe for 73,533,740 ordinary shares under the new share option scheme adopted on 31 August 2012, and 73,533,740 new shares with par value of HK\$0.05 each were issued upon the exercise of those options at an exercise price of HK\$0.114 per share subsequent to the year end.

In May 2013, 42,067,480 new shares with par value of HK\$0.05 each were allotted and issued at a subscription price of HK\$0.10 per share to independent third parties under the general mandate granted by the shareholders of the Company to the Directors at the annual general meeting of the Company held on 31 August 2012.

## PROSPECTS

The Group continues to maintain a positive outlook on the financial services sector. With the Group's available resources and funding to be raised from the Rights Issue, the Group will continue to grow its existing businesses as well as explore investment opportunities to capture potential upside and enhance shareholders' returns.

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

During the year, the Company repurchased some shares on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") and these shares were subsequently cancelled by the Company:

<b>Dates of Repurchase</b>	<b>No. of shares Repurchased</b>	<b>Price per share</b>	<b>Total Consideration (excluding expenses) HK\$</b>
9 July 2012 (cancelled on 12 July 2012)	3	0.033	0.099
1 February 2013 (cancelled on 6 February 2013)	2	0.108	0.216

Except as disclosed above, neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the listed securities of the Company during the year.

## AUDIT COMMITTEE

The Company has an Audit Committee which comprises five Independent Non-executive Directors. The Audit Committee has reviewed with the management of the Company the internal control and financial reporting matters of the Group, including the consolidated financial statements of the Group for the year ended 31 March 2013.

## CORPORATE GOVERNANCE PRACTICES

The Company has adopted the code provisions of the Corporate Governance Code (the "Code") contained in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") as its own code on corporate governance practices. Save as disclosed below, in the opinion of the Directors, the Company has complied with the code provisions as set out in the Code and there have been no material deviations from the Code during the year:

Code Provision A.6.7 – Two Non-executive Directors and two Independent Non-executive Directors were unable to attend the extraordinary general meeting of the Company held on 18 July 2012; two Non-executive Directors were unable to attend the annual general meeting of the Company held on 31 August 2012; and two Non-executive Directors and three Independent Non-executive Directors were unable to attend the extraordinary general meeting of the Company held on 18 February 2013, as they had other engagements.

## **DIRECTORS' SECURITIES TRANSACTIONS**

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) set out in Appendix 10 to the Listing Rules as its own code of conduct regarding Directors' securities transactions. Having made specific enquiry with all Directors, the Company confirmed that throughout the year, all Directors have complied with the required standards set out in the Model Code.

## **PUBLICATION OF FINANCIAL INFORMATION**

This results announcement is published on the websites of the Stock Exchange ([www.hkex.com.hk](http://www.hkex.com.hk)) and the Company ([www.freeman279.com](http://www.freeman279.com)). The annual report will be despatched to the shareholders of the Company and available on the above websites in due course.

By Order of the Board  
**Freeman Financial Corporation Limited**  
**Chow Mun Yee**  
*Executive Director*

Hong Kong, 28 June 2013

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

*Executive Directors:*

Mr. Lo Kan Sun (*Acting Chairman*)  
Mr. Hui Quincy Kwong Hei (*Managing Director*)  
Ms. Au Shuk Yee, Sue  
Ms. Chow Mun Yee

*Non-executive Directors:*

Mr. Andrew Liu  
Mr. Liu Kam Fai, Winston

*Independent non-executive Directors:*

Mr. Gary Drew Douglas  
Mr. Peter Temple Whitelam  
Dr. Agustin V. Que  
Mr. Frank H. Miu  
Mr. Hung Cho Sing