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## **FREEMAN FINANCIAL CORPORATION LIMITED**

### **民眾金服控股有限公司**

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

**(Stock Code: 279)**

## **FINAL RESULTS FOR THE YEAR ENDED 31 MARCH 2016**

### **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 2016, which have been reviewed by the Audit Committee, as follows:

### **CONSOLIDATED STATEMENT OF PROFIT OR LOSS**

*Year ended 31 March 2016*

	<i>Notes</i>	<b>2016</b> <b>HK\$'000</b>	2015 HK\$'000
<b>REVENUE</b>	4	<b>(143,952)</b>	(14,976)
Cost of sales		<b>(90,251)</b>	(20,195)
<b>Gross loss</b>		<b>(234,203)</b>	(35,171)
Other income and gains	4	<b>94,273</b>	7,101
Fair value gains on investments at fair value through profit or loss, net		<b>144,674</b>	551,285
General and administrative expenses		<b>(95,460)</b>	(46,516)
Other expenses, net		<b>(88,865)</b>	(1,068)
Finance costs	6	<b>(9,085)</b>	(7,705)
Share of profits and losses of joint ventures and associates, net		<b>(215,959)</b>	(5,539)

	<i>Notes</i>	<b>2016</b> <i>HK\$'000</i>	2015 <i>HK\$'000</i>
<b>PROFIT/(LOSS) BEFORE TAX</b>	5	<b>(404,625)</b>	462,387
Income tax credit/(expense)	7	<u>27,159</u>	<u>(42,816)</u>
<b>PROFIT/(LOSS) FOR THE YEAR</b>		<b><u>(377,466)</u></b>	<b><u>419,571</u></b>
Attributable to:			
Owners of the Company		<b>(620,996)</b>	533,025
Non-controlling interests		<u>243,530</u>	<u>(113,454)</u>
		<b><u>(377,466)</u></b>	<b><u>419,571</u></b>
<b>EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY</b>	8		
Basic and diluted		<b><u>(HK6.01 cents)</u></b>	<b><u>HK5.16 cents</u></b>

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 March 2016

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
<b>PROFIT/(LOSS) FOR THE YEAR</b>	<b><u>(377,466)</u></b>	<b><u>419,571</u></b>
<b>OTHER COMPREHENSIVE INCOME/(LOSS)</b>		
Other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods:		
Available-for-sale investments:		
Change in fair values	58,584	5,495
Reclassification of cumulative gains to the consolidated statement of profit or loss upon disposal	(80,601)	–
Share of other comprehensive income/(loss) of joint ventures and associates, net	<u>(9,371)</u>	<u>693</u>
<b>OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR, NET OF TAX</b>	<b><u>(31,388)</u></b>	<b><u>6,188</u></b>
<b>TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR</b>	<b><u>(408,854)</u></b>	<b><u>425,759</u></b>
Attributable to:		
Owners of the Company	(643,691)	539,360
Non-controlling interests	<u>234,837</u>	<u>(113,601)</u>
	<b><u>(408,854)</u></b>	<b><u>425,759</u></b>

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 March 2016

	<i>Notes</i>	<b>2016</b> <i>HK\$'000</i>	2015 <i>HK\$'000</i>
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment		<b>1,419</b>	1,757
Investments in joint ventures and an associate		<b>837,260</b>	1,000,814
Intangible assets		<b>1,736</b>	1,736
Available-for-sale investments		–	91,461
Loans receivable		<b>1,374</b>	–
Deposits		<b>633,422</b>	–
Deferred tax assets		<b>119</b>	152
		<hr/>	<hr/>
Total non-current assets		<b>1,475,330</b>	1,095,920
<b>CURRENT ASSETS</b>			
Accounts receivable	9	<b>336,213</b>	211,519
Loans receivable		<b>9,356</b>	329,995
Prepayments, deposits and other receivables		<b>68,913</b>	52,289
Investments at fair value through profit or loss		<b>1,235,102</b>	3,686,317
Tax recoverable		–	2,666
Cash and bank balances		<b>208,988</b>	50,659
		<hr/>	<hr/>
Total current assets		<b>1,858,572</b>	4,333,445
<b>CURRENT LIABILITIES</b>			
Accounts payable	10	<b>21,811</b>	1,322
Other payables and accruals		<b>153,367</b>	4,423
Interest-bearing other borrowings		<b>71,378</b>	320,255
Tax payable		<b>8,307</b>	–
		<hr/>	<hr/>
Total current liabilities		<b>254,863</b>	326,000
<b>NET CURRENT ASSETS</b>			
		<hr/>	<hr/>
		<b>1,603,709</b>	4,007,445
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>			
		<hr/>	<hr/>
		<b>3,079,039</b>	5,103,365

	<b>2016</b> <i>HK\$'000</i>	2015 <i>HK\$'000</i>
<b>NON-CURRENT LIABILITIES</b>		
Interest-bearing other borrowing	<b>10,000</b>	–
Deferred tax liability	<b>4,125</b>	42,289
	<hr/>	<hr/>
Total non-current liabilities	<b>14,125</b>	42,289
	<hr/>	<hr/>
Net assets	<b>3,064,914</b>	5,061,076
	<hr/> <hr/>	<hr/> <hr/>
<b>EQUITY</b>		
<b>Equity attributable to owners of the Company</b>		
Issued capital	<b>14,324</b>	10,324
Reserves	<b>3,050,590</b>	3,444,202
	<hr/>	<hr/>
	<b>3,064,914</b>	3,454,526
<b>Non-controlling interests</b>	<b>–</b>	1,606,550
	<hr/>	<hr/>
Total equity	<b>3,064,914</b>	5,061,076
	<hr/> <hr/>	<hr/> <hr/>

## 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 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. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

*Amendments to HKAS 19 Defined Benefit Plans: Employee Contributions*  
*Annual Improvements to HKFRSs 2010-2012 Cycle*  
*Annual Improvements to HKFRSs 2011-2013 Cycle*

The nature and the impact of each amendment is described below:

- (a) Amendments to HKAS 19 apply to contributions from employees or third parties to defined benefit plans. The amendments simplify the accounting for contributions that are independent of the number of years of employee service, for example, employee contributions that are calculated according to a fixed percentage of salary. If the amount of the contributions is independent of the number of years of service, an entity is permitted to recognise such contributions as a reduction of service cost in the period in which the related service is rendered. The amendments have had no impact on the Group as the Group does not have defined benefit plans.
- (b) The *Annual Improvements to HKFRSs 2010-2012 Cycle* issued in January 2014 sets out amendments to a number of HKFRSs. Details of the amendments that are effective for the current year are as follows:
  - *HKFRS 8 Operating Segments*: Clarifies that an entity must disclose the judgements made by management in applying the aggregation criteria in HKFRS 8, including a brief description of operating segments that have been aggregated and the economic characteristics used to assess whether the segments are similar. The amendments also clarify that a reconciliation of segment assets to total assets is only required to be disclosed if the reconciliation is reported to the chief operating decision maker. The amendments have had no impact on the Group.

- HKAS 16 *Property, Plant and Equipment* and HKAS 38 *Intangible Assets*: Clarifies the treatment of gross carrying amount and accumulated depreciation or amortisation of revalued items of property, plant and equipment and intangible assets. The amendments have had no impact on the Group as the Group does not apply the revaluation model for the measurement of these assets.
  - HKAS 24 *Related Party Disclosures*: Clarifies that a management entity (i.e., an entity that provides key management personnel services) is a related party subject to related party disclosure requirements. In addition, an entity that uses a management entity is required to disclose the expenses incurred for management services. The amendment has had no impact on the Group as the Group does not receive any management services from other entities.
- (c) The *Annual Improvements to HKFRSs 2011-2013 Cycle* issued in January 2014 sets out amendments to a number of HKFRSs. Details of the amendments that are effective for the current year are as follows:
- HKFRS 3 *Business Combinations*: Clarifies that joint arrangements but not joint ventures are outside the scope of HKFRS 3 and the scope exception applies only to the accounting in the financial statements of the joint arrangement itself. The amendment is applied prospectively. The amendment has had no impact on the Group as the Company is not a joint arrangement and the Group did not form any joint arrangement during the year.
  - HKFRS 13 *Fair Value Measurement*: Clarifies that the portfolio exception in HKFRS 13 can be applied not only to financial assets and financial liabilities, but also to other contracts within the scope of HKFRS 9 or HKAS 39 as applicable. The amendment is applied prospectively from the beginning of the annual period in which HKFRS 13 was initially applied. The amendment has had no impact on the Group as the Group does not apply the portfolio exception in HKFRS 13.
  - HKAS 40 *Investment Property*: Clarifies that HKFRS 3, instead of the description of ancillary services in HKAS 40 which differentiates between investment property and owner-occupied property, is used to determine if the transaction is a purchase of an asset or a business combination. The amendment is applied prospectively for acquisitions of investment properties. The amendment has had no impact on the Group as there was no acquisition of investment property by the Group.

In addition, the Company has adopted the amendments to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited issued by The Stock Exchange of Hong Kong Limited relating to the disclosure of financial information with reference to the Hong Kong Companies Ordinance (Cap. 622) during the current financial year. The main impact to the financial statements is on the presentation and disclosure of certain information in the financial statements.

### 3. OPERATING SEGMENT INFORMATION

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

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

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 and margin financing activities), 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 2016/As at 31 March 2016**

	Trading of securities and futures <i>HK\$'000</i>	Provision of finance <i>HK\$'000</i>	Insurance brokerage business <i>HK\$'000</i>	Securities and futures brokerage, placing, underwriting and margin financing <i>HK\$'000</i>	Investment holding <i>HK\$'000</i>	Corporate finance advisory <i>HK\$'000</i>	Total <i>HK\$'000</i>
<b>Segment revenue:</b>							
Sales to external customers	(318,876)	36,122	76,406	56,446	-	5,950	(143,952)
Intersegment sales	-	-	-	21,000	-	-	21,000
	(318,876)	36,122	76,406	77,446	-	5,950	(122,952)
<i>Reconciliation:</i>							
Elimination of intersegment sales							(21,000)
Total revenue							<u>(143,952)</u>
<b>Segment results</b>	(197,691)	34,837	4,425	28,293	(253,982)	5,853	(378,265)
<i>Reconciliation:</i>							
Bank interest income							1
Other interest income							304
Corporate and other unallocated expenses							(17,580)
Finance costs							<u>(9,085)</u>
Loss before tax							<u>(404,625)</u>

**Year ended 31 March 2016/As at 31 March 2016**

	Trading of securities and futures <i>HK\$'000</i>	Provision of finance <i>HK\$'000</i>	Insurance brokerage business <i>HK\$'000</i>	Securities and futures brokerage, placing, underwriting and margin financing <i>HK\$'000</i>	Investment holding <i>HK\$'000</i>	Corporate finance advisory <i>HK\$'000</i>	Total <i>HK\$'000</i>
<b>Other segment information:</b>							
Share of profits and losses of joint ventures and an associate, net	-	-	-	-	(215,959)	-	(215,959)
Depreciation							
- operating segment	-	-	-	(184)	(4,029)	-	(4,213)
- unallocated							(723)
							<u>(4,936)</u>
Investments in joint ventures and an associate	-	-	-	-	837,260	-	837,260
Capital expenditure							
- operating segment	-	-	-	504	84,544	-	85,048
- unallocated							65
							<u>85,113*</u>

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

**Year ended 31 March 2015/As at 31 March 2015**

	Trading of securities <i>HK\$'000</i>	Provision of finance <i>HK\$'000</i>	Insurance brokerage business <i>HK\$'000</i>	Securities and futures brokerage, placing, underwriting and margin financing <i>HK\$'000</i>	Investment holding <i>HK\$'000</i>	Corporate finance advisory <i>HK\$'000</i>	Total <i>HK\$'000</i>
<b>Segment revenue:</b>							
Sales to external customers	(112,067)	27,662	21,585	38,592	–	9,252	(14,976)
Intersegment sales	–	–	–	–	–	–	–
	(112,067)	27,662	21,585	38,592	–	9,252	(14,976)
<i>Reconciliation:</i>							
Elimination of intersegment sales							–
Total revenue							<u>(14,976)</u>
<b>Segment results</b>	426,395	25,471	1,325	35,251	(9,223)	9,130	488,349
<i>Reconciliation:</i>							
Bank interest income							2
Other interest income							2,305
Corporate and other unallocated expenses							(20,564)
Finance costs							<u>(7,705)</u>
Profit before tax							<u>462,387</u>

**Year ended 31 March 2015/As at 31 March 2015**

	Trading of securities <i>HK\$'000</i>	Provision of finance <i>HK\$'000</i>	Insurance brokerage business <i>HK\$'000</i>	Securities and futures brokerage, placing, underwriting and margin financing <i>HK\$'000</i>	Investment holding <i>HK\$'000</i>	Corporate finance advisory <i>HK\$'000</i>	Total <i>HK\$'000</i>
<b>Other segment information:</b>							
Share of profits and losses of a joint venture and an associate	-	-	-	-	(5,539)	-	(5,539)
Depreciation							
- operating segment	-	-	-	(349)	-	-	(349)
- unallocated							<u>(771)</u>
							<u>(1,120)</u>
Investment in a joint venture	-	-	-	-	1,000,814	-	1,000,814
Capital expenditure							
- operating segment	-	-	-	1,470	-	-	1,470
- unallocated							<u>92</u>
							<u>1,562*</u>

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

	<b>2016</b>	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>
Hong Kong	<b><u>1,472,095</u></b>	<b><u>1,004,307</u></b>

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 which individually accounted for over 10% of the Group's revenue for the year:

	<b>2016</b>	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>
Insurance brokerage business		
Customer A	N/A	13,249
Customer B	<b><u>71,375</u></b>	<b><u>N/A</u></b>

The Group's dividend income and 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 represents interest income earned from provision of finance; dividend income from investments at fair value through profit or loss; net 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 and futures dealings; commission from underwriting and placing services; and interest income on margin financing activities during the year.

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

	<b>2016</b>	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Revenue</b>		
Interest income from provision of finance	<b>36,122</b>	27,662
Dividend income from investments at fair value through profit or loss	<b>35,249</b>	80,098
Losses from the sale of investments at fair value through profit or loss, net ( <i>Note</i> )	<b>(354,125)</b>	(192,165)
Insurance brokerage income	<b>76,406</b>	21,585
Corporate finance advisory fee	<b>5,950</b>	9,252
Commission and brokerage income from securities and futures dealings	<b>6,262</b>	4,976
Commission from underwriting and placing services	<b>30,058</b>	9,536
Interest income on margin financing activities	<b>20,126</b>	24,080
	<b>(143,952)</b>	(14,976)
<b>Other income and gains</b>		
Bank interest income	<b>1</b>	2
Other interest income	<b>304</b>	2,305
Dividend handling charge and other surcharges	<b>1,103</b>	3,873
Gain on disposal of available-for-sale investments, net	<b>80,601</b>	–
Gain on disposal of items of property, plant and equipment	<b>4,485</b>	–
Others	<b>7,779</b>	921
	<b>94,273</b>	7,101

*Note:* The gross proceeds from sale of investments at fair value through profit or loss for the year were approximately HK\$3,185,830,000 (2015: HK\$592,101,000).

## 5. PROFIT/(LOSS) BEFORE TAX

The Group's profit/(loss) before tax is arrived at after charging/(crediting):

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Depreciation	4,936	1,120
Employee benefit expenses (excluding directors' remuneration):		
Salaries and allowances	8,640	7,283
Retirement benefit scheme contributions (defined contribution scheme)*	310	266
	<u>8,950</u>	<u>7,549</u>
Auditors' remuneration	2,550	2,450
Minimum lease payments under operating leases	7,936	7,625
Equity-settled share option expense	23,082	–
Write-off of items of property, plant and equipment	–	4
Deemed losses on changes in shareholding interests in joint ventures and associates, net**	88,223	1,068
Gain on disposal of items of property, plant and equipment	(4,485)	–
Loss on disposal of a subsidiary**	642	–
	<u><u>88,223</u></u>	<u><u>1,068</u></u>

\* At 31 March 2016, the Group had no material forfeited contributions available to reduce its contributions to the retirement benefit scheme in future years (2015: Nil).

\*\* These balances are included in "Other expenses, net" in the consolidated statement of profit or loss.

## 6. FINANCE COSTS

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Interests on other loans	<u><u>9,085</u></u>	<u><u>7,705</u></u>

## 7. INCOME TAX EXPENSE/(CREDIT)

Hong Kong profits tax has been provided at the rate of 16.5% (2015: 16.5%) on the estimated assessable profits arising in Hong Kong during the year.

	<b>2016</b> <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Current – Hong Kong		
Charge for the year	<b>11,197</b>	964
Overprovision in prior years	<b>(225)</b>	(384)
Deferred	<b>(38,131)</b>	42,236
	<hr/>	<hr/>
Total tax charge/(credit) for the year	<b>(27,159)</b>	42,816
	<hr/> <hr/>	<hr/> <hr/>

The share of tax credit attributable to an associate amounting to HK\$19,000 (2015: tax charge of HK\$6,307,000) and share of tax charge attributable to a joint venture amounting to HK\$181,000 (2015: Nil), respectively are included in “Share of profits and losses of joint ventures and associates, net” in the consolidated statement of profit or loss for the year ended 31 March 2016.

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

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

The calculation of the basic earnings/(loss) per share amounts is based on the loss for the year attributable to ordinary equity holders of the Company of HK\$620,996,000 (2015: profit of HK\$533,025,000), and the weighted average number of ordinary shares of 10,335,066,262 (2015: 10,324,137,300) in issue during the year.

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

No adjustment has been made to the basic loss per share amount presented for the year ended 31 March 2016 in respect of a dilution as the impact of First Warrants and share options outstanding had an anti-dilutive effect on the basic loss per share amount presented, or the exercise price of Second Warrants was higher than the average market price of the ordinary shares of the Company during the year and Second Warrants had no dilutive effect on the basis loss per share amount presented.

The Group had no potentially dilutive ordinary shares in issue during the year ended 31 March 2015.



## 9. ACCOUNTS RECEIVABLE

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Accounts receivable arising from the ordinary course of business of:		
– Dealing in securities:		
Margin clients	322,753	195,766
Clearing houses	–	10,093
– Corporate finance business	–	1,754
– Insurance brokerage business	9,443	1,454
– Futures brokerage business	4,017	2,452
	<u>336,213</u>	<u>211,519</u>

The settlement terms of accounts receivable attributable to the dealing in securities transactions are two days after the trade date except for the balances with margin clients and cash clients which are repayable on demand. The trading terms with customers of corporate finance and insurance brokerage businesses are mainly on credit. The credit period for customers of corporate finance and insurance brokerage businesses is generally 30 days, extending up to 90 days for major customers. The settlement terms of accounts receivable attributable to dealing in futures transactions are repayable on demand.

An aged analysis of the accounts receivable as at the end of the reporting period, based on the trade date, is as follows:

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Within 90 days	335,982	211,347
Between 91 to 180 days	231	172
	<u>336,213</u>	<u>211,519</u>

## 10. ACCOUNTS PAYABLE

The balances as at 31 March 2016, based on the trade date, were all aged within 90 days (31 March 2015: 90 days).

## **FINAL DIVIDEND**

The Directors do not recommend the payment of a final dividend for the year ended 31 March 2016 (2015: Nil).

## **BUSINESS REVIEW**

The Group's consolidated net loss for the year was approximately HK\$377.5 million (2015: net profit of HK\$419.6 million). The consolidated net assets of the Group decreased from approximately HK\$5,061.1 million as at 31 March 2015 to approximately HK\$3,064.9 million as at 31 March 2016. The consolidated net loss was mainly attributable to (i) net realised losses and net unrealised gains of investments at fair value through profit or loss of approximately HK\$354.1 million and approximately HK\$144.7 million respectively; (ii) net gain on disposal of available-for-sale investments of approximately HK\$80.6 million; (iii) share of losses of joint ventures and an associate of approximately HK\$216.0 million; and (iv) recognition of net deemed losses on changes in shareholding interests in joint ventures and associates of approximately HK\$88.2 million.

### **Placing of warrants**

In April 2015, the Company entered into the First Placing Agreement with the Placing Agent, pursuant to which the Company agreed to issue and the Placing Agent agreed to procure the First Subscribers to subscribe for 1,376,551,640 First Warrants with First Mandatory Exercise Rights, on a fully-underwritten basis, at the First Issue Price of HK\$0.01 per First Warrant with First Mandatory Exercise Rights. The First Subscription Price is HK\$0.43 per First Warrant Share (revised to HK\$0.382 in May 2016). Upon full exercise of the First Subscription Rights attached to the First Warrants with First Mandatory Exercise Rights, a total of 1,376,551,640 First Warrant Shares with par value of HK\$0.001 each will be issued under the First Specific Mandate.

In May 2015, the Company entered into the Second Placing Agreement with the Placing Agent, pursuant to which the Company agreed to issue and the Placing Agent agreed to procure the Second Subscribers to subscribe for 688,275,820 Second Warrants with Second Mandatory Exercise Rights, on a fully-underwritten basis, at the Second Issue Price of HK\$0.01 per Second Warrant with Second Mandatory Exercise Rights. The Second Subscription Price is HK\$0.55 per Second Warrant Share (revised to HK\$0.489 in May 2016). Upon full exercise of the Second Subscription Rights attached to the Second Warrants with Second Mandatory Exercise Rights, a total of 688,275,820 Second Warrant Shares with par value of HK\$0.001 each will be issued under the Second Specific Mandate.

Both the First Placing and Second Placing were approved by the Shareholders at the SGM held on 24 June 2015. As at the date of this announcement, 1,376,551,640 First Warrants with First Mandatory Exercise Rights and 688,275,820 Second Warrants with Second Mandatory Exercise Rights were issued to the warrant holders but no First Warrant Shares under the First Placing or Second Warrant Shares under the Second Placing were issued.

Details of the above events in relation to the First Placing and the Second Placing and the capitalised terms in the above paragraphs were set out and defined in the circular of the Company dated 9 June 2015.

### **Grant of share options**

In April 2015, the Company granted share options to certain eligible persons under the share option scheme adopted by the Company on 31 August 2012 to subscribe for a total of 688,275,820 ordinary shares with par value of HK\$0.001 each at an exercise price of HK\$0.49 per share (the “Share Options”). As at the date of this announcement, no Share Options were exercised.

### **Change of company name**

In June 2015, the change of dual foreign name of the Company from “民豐企業控股有限公司” to “民眾金服控股有限公司” (the “Change of Company Name”) was approved by the shareholders of the Company (the “Shareholders”) at the extraordinary general meeting held on 15 June 2015. A copy of the certificate of incorporation on change of name dated 16 June 2015 issued by the Registrar of Companies in the Cayman Islands was received by the Company on 24 June 2015. The Company completed the necessary filing with the Companies Registry in Hong Kong and the registration of the new dual foreign name of the Company in Hong Kong under Part 16 of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) was confirmed by the Registrar of Companies in Hong Kong. The Chinese stock short name of the Company was changed from “民豐企業” to “民眾金服” for the purpose of the trading of shares of the Company on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) with effect from 20 July 2015.

### **Subscriptions of Freewill’s shares**

In July 2015, the Group entered into two subscription agreements (collectively referred to as the “Subscription Agreements”) with a wholly-owned subsidiary of Enerchina Holdings Limited (whose shares are listed on the main board of the Stock Exchange, stock code: 622) (“Subscriber E”) and a wholly-owned subsidiary of Skyway Securities Group Limited (formerly known as Mission Capital Holdings Limited, whose shares are listed on the main board of the Stock Exchange, stock code: 1141) (“Subscriber U”), pursuant to which Subscriber E has agreed to subscribe for 38 million new shares of Freewill Holdings Limited (“Freewill”, a joint venture of the Group prior to signing the Subscription Agreements) at an aggregate subscription price of HK\$209 million and Subscriber U has agreed to subscribe for 80 million new shares of Freewill at an aggregate subscription price of HK\$440 million (collectively referred to as “Freewill Subscriptions”). After the completion of Freewill Subscriptions, the Group’s equity interest in Freewill was diluted from approximately 65.3% to approximately 45.3%. The joint venture arrangement between the Group and a wholly-owned subsidiary of Mason Financial Holdings Limited (formerly known as Willie International Holdings Limited, whose shares are listed on the main board of the Stock Exchange, stock code: 273) pursuant to the joint venture agreements dated 20 June 2014 in relation to, among other things, the operations, management and business in Freewill was terminated. Freewill is no longer accounted for as a joint venture of the Group and became an associate of the Group.

Subsequent to Freewill Subscriptions, Freewill further underwent certain share transactions during the year, and the Group's equity interest in Freewill was further diluted to approximately 31.8% as at 31 March 2016.

### **Acquisition and disposal of a yacht holding company**

In July 2015, the Group acquired 100% equity interest of a yacht holding company from certain independent third parties at an aggregate consideration of HK\$85 million and disposed of its entire equity interest in the yacht holding company to an independent third party at a consideration of HK\$85 million in December 2015.

### **Distribution of Smart Jump Corporation**

In August 2015, Freeman Corporation Limited ("FCL", a non-wholly owned subsidiary of the Company before the Second Buy-Back (as defined below)), distributed its entire issued share capital of Smart Jump Corporation ("Smart Jump", a non-wholly owned subsidiary of the Company before the Dividend Take-Up (as defined below)) ("Dividend Shares") as dividend to its shareholders, including Freeman Financial Investment Corporation ("FFIC", a direct wholly-owned subsidiary of the Company) and other shareholders of FCL on pro-rata basis. As the other shareholders of FCL elected to receive cash in lieu of Dividend Shares from FCL with an aggregate sum of approximately HK\$511.9 million, the Company took up their respective entitlements to the Dividend Shares (representing an aggregate of approximately 39.5% equity interest in Smart Jump) ("Dividend Take-Up"). After the completion of the Dividend Take-Up, Smart Jump is 100% held by FFIC and became an indirect wholly-owned subsidiary of the Company.

### **Buy-backs of FCL**

In August 2015, FCL bought back approximately 6.5% equity interest in FCL at HK\$1.23 per share of FCL at a consideration of approximately HK\$100.5 million (the "First Buy-Back"). After the completion of First Buy-Back, the Group holds approximately 67.0% equity interest in FCL.

In October 2015, FCL further bought back approximately 33.0% equity interest in FCL at HK\$1.23 per share of FCL at a consideration of approximately HK\$510.0 million (the "Second Buy-Back") which was approved by the Shareholders at the extraordinary general meeting held on 15 October 2015. After the First Buy-Back and Second Buy-Back, FCL became an indirect wholly-owned subsidiary of the Company.

## **Investment in JV Securities Company**

In November 2015, Freeman Securities Limited (“FSL”, which is an indirect wholly-owned subsidiary of the Company) entered into the promoters’ agreement with 14 co-promoters (the “Promoters’ Agreement”), pursuant to which the parties thereto conditionally agreed to cooperate to set-up a full-licensed joint venture securities company in Shanghai Pilot Free Trade Zone (the “JV Securities Company”) under the framework of the Closer Economic Partnership Arrangement between Mainland China and Hong Kong (“CEPA”); and FSL conditionally agreed to invest RMB350 million in the JV Securities Company by way of subscription of 350,000,000 shares of the JV Securities Company, representing 10% share capital thereof for an aggregate subscription price of RMB350 million (the “JV Investment”).

In December 2015, FSL signed a supplemental shares subscription letter and entered into a supplement to the Promoters’ Agreement relating to change of co-promoters with all co-promoters, pursuant to which FSL conditionally agreed to further invest RMB175 million in the JV Securities Company by way of subscription of 175,000,000 shares of the JV Securities Company, representing 5% share capital thereof at an aggregate subscription price of RMB175 million (the “Further JV Investment”). When aggregated with the investment of RMB350 million under the JV Investment, the total investment to be made by FSL in the JV Securities Company shall amount to a total of RMB525 million and, upon the completion of the transaction, FSL will hold an aggregate of 15% of the share capital of the JV Securities Company, becoming one of the two single largest shareholders thereof.

In March 2016, the formation of the JV Securities Company under the framework of CEPA has been approved by the China Securities Regulatory Commission and the registration procedure with the Ministry of Commerce and other relevant regulatory authorities in the People’s Republic of China (the “PRC”) has been proceeded. FSL has fully paid the aggregate subscription price of RMB525 million for 525,000,000 shares of the JV Securities Company.

## **Placing of convertible notes**

In December 2015, the Company also entered into the placing agreement with FSL (the “CN Placing Agent”), pursuant to which the CN Placing Agent has conditionally agreed to procure not less than six independent Subscribers to subscribe for the Convertible Notes with an aggregate principal amount of HK\$1,050,000,000, at the Conversion Price of HK\$0.35 per Conversion Share. Upon full exercise of the conversion rights attached to the Convertible Notes, a total of 3,000,000,000 Conversion Shares with par value of HK\$0.001 each will be issued under the Specific Mandate.

In February 2016, the Company entered into the Supplemental Agreement with the CN Placing Agent, pursuant to which the Company and the CN Placing Agent agreed to vary certain terms and conditions of the Placing and the Convertible Notes, among other things, (i) revised the maximum principal amount of the Convertible Notes from HK\$1,050,000,000 to HK\$600,000,000; and (ii) revised the Conversion Price from HK\$0.35 to HK\$0.15 per Conversion Share. The total number of the Conversion Shares to be issued upon full exercise of the conversion rights attached to the Convertible Notes was changed from 3,000,000,000 Conversion Shares to 4,000,000,000 Conversion Shares.

The Placing was approved by the Shareholders at the EGM held on 15 March 2016 and the completion of the Placing took place on 31 March 2016. Convertible Notes in the principal amount of HK\$600 million were exercised by the Convertible Noteholders and 4,000,000,000 new shares at Conversion Price of HK\$0.15 each were issued. The Company's total issued shares as at 31 March 2016 were increased to 14,324,137,300 ordinary shares with par value of HK\$0.001 each.

Details of the above events in relation to the Placing of Convertible Notes and the capitalised terms in the above paragraphs were set out and defined in the circular of the Company dated 24 February 2016.

### **New JV Company**

In December 2015, the Group entered into a joint venture agreement (the "JV Agreement") with an indirect wholly-owned subsidiary of China Opto Holdings Limited ("COHL", formerly known as China Optoelectronics Holding Group Co., Limited whose shares are listed on the main board of the Stock Exchange, stock code: 1332) ("COHL's subsidiary") and a joint venture company (the "JV Company"), pursuant to which FFIC and COHL's subsidiary agreed to set up a joint venture for single purpose of carrying out business of provision of finance and money lending. Each party invested capital of HK\$150,000,000 into the JV Company and held 50% equity interest in the JV Company.

In March 2016, the JV Company further issued shares to new investors and the Group's equity interest in the JV Company was diluted to approximately 41.6% as at 31 March 2016.

### **Disposal of Smart Jump Group**

In March 2016, the Group and a wholly-owned subsidiary of Imagi International Holdings Limited (whose shares are listed on the main board of the Stock Exchange, stock code: 585) (the "Purchaser") entered into a sale and purchase agreement, pursuant to which the Purchaser has conditionally agreed to purchase the entire issued share capital in Smart Jump Corporation at a total consideration of HK\$1,800 million (the "Disposal"). Smart Jump Corporation is an indirect wholly-owned subsidiary of the Company which holds four wholly-owned subsidiaries (collectively referred as "Smart Jump Group"). Smart Jump Group is principally engaged in trading of securities. As at the date of this announcement, the Disposal was not yet completed.

During the current year, save as disclosed above, there were neither other material acquisitions nor disposals of subsidiaries, associates and joint venture companies.

## FINANCIAL REVIEW

The Group resulted a gross loss for the year of HK\$234.2 million (2015: HK\$35.2 million), representing a substantial increase of approximately 565.3% as compared to the last year. It was mainly due to the increase in net realised losses from the sale of investments at fair value through profit and loss of approximately HK\$354.1 million (2015: HK\$192.2 million). Dividend income from trading investments decreased by approximately 56.1% to HK\$35.2 million as compared to HK\$80.1 million in 2015, which is mainly contributed by less dividends were received by the Group from listed securities. Interest income from provision of finance increased by approximately 30.3% to HK\$36.1 million as compared to HK\$27.7 million in 2015 as more loans were granted to customers during the year. Insurance brokerage income significantly increased by approximately 253.7% to HK\$76.4 million as compared to HK\$21.6 million in 2015 as a result of increase in customers' portfolio. Income from securities and futures brokerage, placing, underwriting and margin financing services, was HK\$56.4 million, representing an increase of 46.1% as compared to HK\$38.6 million in 2015 as more sizable underwriting, sub-underwriting, placing and sub-placing transactions were undertaken during the current year. Corporate finance advisory fee decreased by approximately 35.5% to HK\$6.0 million as compared to HK\$9.3 million in 2015 as a result of competitive market of the industry.

Other income and gains increased to HK\$94.3 million for the year (2015: HK\$7.1 million), which was mainly represented by a net gain on disposal of available-for-sale investments of HK\$80.6 million (2015: Nil). The Group also recorded significant net unrealised fair value gains on securities held for trading of HK\$144.7 million for the year (2015: HK\$551.3 million). The Group shared losses of HK\$216.0 million from joint ventures and an associate for the year (2015: HK\$5.5 million). Cost saving is a continuous aim in monitoring daily operations by the Group. This year, general and administrative expenses amounted to HK\$95.5 million, representing an increase of approximately 105.4% as compared to HK\$46.5 million in 2015 which was mainly due to recognition of equity-settled share option expense of HK\$23.1 million and increase in securities trading commission and expenses of HK\$13.0 million. Income tax credit amounted to HK\$27.2 million (2015: tax expenses of HK\$42.8 million), mainly represented the provision of deferred tax credit of HK\$38.1 million (2015: deferred tax expenses of HK\$42.2 million) for the tax effect of unrealised fair value gain on securities held for trading.

Net loss attributable to Shareholders for the year was HK\$621.0 million (2015: net profit of HK\$533.0 million). A loss per share was HK6.01 cents (31 March 2015: earnings per share HK5.16 cents).

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

As at 31 March 2016, net current assets of the Group amounted to HK\$1,603.7 million (31 March 2015: HK\$4,007.4 million) with cash and bank balances of HK\$209.0 million (31 March 2015: HK\$50.7 million) and the current ratio (current assets/current liabilities) was 7.3 (31 March 2015: 13.3). The Group had secured other borrowings of HK\$71.4 million (31 March 2015: HK\$200.3 million) and unsecured other borrowing of HK\$10.0 million (31 March 2015: HK\$120.0 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 2.7% (31 March 2015: 9.3%). The other borrowings of the Group carried floating interest rates calculated by reference to the Hong Kong dollar prime rate or lender's costs of funds were made in Hong Kong dollar. The Group's exposure to foreign exchange rate was minimal. The Group did not have any financial instruments used for hedging purpose.

The Group had no material capital commitment as at 31 March 2016 (31 March 2015: Nil). 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. The Group's assets portfolio is mainly financed by its shareholders' funds. As at 31 March 2016, the Group had shareholders' funds of HK\$3,064.9 million (31 March 2015: HK\$3,454.5 million). During the year, the Company raised net proceeds from issue of new shares upon conversion of convertible notes for approximately HK\$578.5 million which has been used as the payment of the subscription money of the JV Securities Company.

In May 2016, the Company issued two unsecured notes each with a principal amount of HK\$10 million to two independent third parties named Ms. Huang Gunyun and Mr. Wang Guiyu with interest bearing at 5% per annum payable annually in arrears for the Group's general working capital. Both notes are repayable in May 2023.

### **PLEDGE OF ASSETS**

As at 31 March 2016, investments at fair value through profit or loss of HK\$1,235.1 million (31 March 2015: HK\$3,318.6 million and an available-for-sale investment of HK\$32.2 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 2016 (31 March 2015: Nil).



## **CONTINGENT LIABILITIES**

The Group had no material contingent liabilities as at 31 March 2016 (31 March 2015: Nil).

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

As at 31 March 2016, the Group employed 33 staff members including directors of the Company (2015: 28 staff). Staff costs incurred for the year, including directors' remuneration, were approximately HK\$20.5 million (2015: HK\$12.8 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.

## **PROSPECTS**

The approval of the formation of the JV Securities Company by the China Securities Regulatory Commission and the Ministry of Commerce of the PRC in March 2016 has offered a golden opportunity for the Company to embark on a new milestone in its business development in financial services industry. With this joint venture investment, the Group have been offered a first-starter advantage to access to the huge and fast-growing financial markets in China which enabled the Group to engage in a full spectrum of securities and financial business in China. The Board believed that the Group would be significantly benefited from the expansion of its financial services in the new market.

In the long run, the Group aim at extending its financial services businesses to Mainland China and will continue to pursue new opportunities in the financial services industry to enhance values to the Shareholders.

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

During the year, neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the listed securities of the Company.

## **AUDIT COMMITTEE**

The Company has an Audit Committee which comprises three Independent Non-executive Directors. The Audit Committee has reviewed with the management of the Company the internal control, financial reporting and auditing matters of the Group, including the consolidated financial statements of the Group for the year ended 31 March 2016.

## **CORPORATE GOVERNANCE PRACTICES**

The Company has adopted the code provisions of the Corporate Governance Code (the "CG 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 CG Code and there have been no material deviations from the CG Code during the year:

Code Provision A.6.7. – (i) One Independent Non-executive Director was unable to attend the annual general meeting of the Company held on 15 September 2015; (ii) one Independent Non-executive Director was unable to attend the extraordinary general meeting of the Company held on 15 June 2015; (iii) one Executive Director and one Independent Non-executive Director were unable to attend the extraordinary general meeting of the Company held on 24 June 2015, 15 October 2015 and 15 March 2016; and (iv) two Independent Non-executive Directors were unable to attend the extraordinary general meeting of the Company held on 9 July 2015, 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 and available on the above websites in due course.

By Order of the Board  
**Freeman Financial Corporation Limited**  
**Lo Kan Sun**  
*Chairman*

Hong Kong, 29 June 2016

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

***Executive Directors:***

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

***Independent Non-executive Directors:***

Mr. Cheung Wing Ping  
Mr. Hung Cho Sing  
Dr. Agustin V. Que