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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)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2012

INTERIM RESULTS

The Board of Directors (the “Board”) of Freeman Financial Corporation Limited (the “Company”) announces the unaudited condensed consolidated interim results of the Company and its subsidiaries (collectively, the “Group”) for the six months ended 30 September 2012 together with the unaudited comparative figures for 2011.

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 September 2012

		For the six months ended 30 September	
	<i>Notes</i>	2012	2011
		(Unaudited)	(Unaudited)
		HK\$'000	HK\$'000
CONTINUING OPERATIONS			
REVENUE	3	29,223	19,418
Cost of sales		(11)	(4,175)
Gross profit		29,212	15,243
Other income and gains	3	52,579	6,045
Fair value losses on investments at fair value through profit or loss, net		(79,353)	(431,303)
General and administrative expenses		(15,157)	(15,587)

CONDENSED CONSOLIDATED INCOME STATEMENT (CONTINUED)*For the six months ended 30 September 2012*

		For the six months ended	
		30 September	
	<i>Notes</i>	2012	2011
		(Unaudited)	(Unaudited)
		HK\$'000	HK\$'000
Other expenses		–	(2,700)
Finance costs	4	(4,336)	(5,129)
Share of profits and losses of associates		(22,629)	6,444
		<hr/>	<hr/>
LOSS BEFORE TAX FROM CONTINUING OPERATIONS	5	(39,684)	(426,987)
Income tax expense	6	–	2,475
		<hr/>	<hr/>
LOSS FOR THE PERIOD FROM CONTINUING OPERATIONS		(39,684)	(424,512)
DISCONTINUED OPERATION			
Profit for the period from the discontinued operation	7	–	24,134
		<hr/>	<hr/>
LOSS FOR THE PERIOD		(39,684)	(400,378)
		<hr/>	<hr/>
Attributable to:			
Owners of the Company		(39,847)	(400,378)
Non-controlling interest		163	–
		<hr/>	<hr/>
		(39,684)	(400,378)
		<hr/>	<hr/>
LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	8		
Basic and diluted:			<i>(Restated)</i>
For loss for the period		(5.55 HK cents)	(156.58 HK cents)
		<hr/>	<hr/>
For loss from continuing operations		(5.55 HK cents)	(166.02 HK cents)
		<hr/>	<hr/>

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 September 2012

	For the six months ended	
	30 September	
	2012	2011
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
LOSS FOR THE PERIOD	<u>(39,684)</u>	<u>(400,378)</u>
OTHER COMPREHENSIVE INCOME/(LOSS)		
An available-for-sale investment:		
Change in fair value	18,676	–
Reclassification of cumulative gains to the condensed consolidated income statement upon disposal	<u>(17,423)</u>	<u>–</u>
	1,253	–
Share of other comprehensive income/(loss) of associates	(9,193)	4,313
Exchange differences on translation of foreign operations	–	8
Release of exchange fluctuation reserve upon disposal of subsidiaries	<u>–</u>	<u>(120)</u>
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD, NET OF TAX	<u>(7,940)</u>	<u>4,201</u>
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD	<u>(47,624)</u>	<u>(396,177)</u>
Attributable to:		
Owners of the Company	(47,787)	(396,177)
Non-controlling interest	<u>163</u>	<u>–</u>
	<u>(47,624)</u>	<u>(396,177)</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 September 2012

	<i>Notes</i>	30 September 2012 (Unaudited) HK\$'000	31 March 2012 (Audited) HK\$'000
NON-CURRENT ASSETS			
Property, plant and equipment		4,485	3,990
Investment in an associate		1,027,508	904,742
Intangible asset		339	339
Available-for-sale investments		7,217	137,693
Note receivable		7,711	7,711
Deferred tax assets		47	47
		<hr/>	<hr/>
Total non-current assets		1,047,307	1,054,522
CURRENT ASSETS			
Accounts receivable	<i>10</i>	90,433	42,365
Loans receivable		23,759	2,007
Prepayments, deposits and other receivables		2,215	2,555
Investments at fair value through profit or loss		1,120,083	891,116
Cash and bank balances		143,613	235,881
		<hr/>	<hr/>
Total current assets		1,380,103	1,173,924
CURRENT LIABILITIES			
Accounts payable	<i>11</i>	786	2,304
Other payables and accruals		2,610	4,391
Interest-bearing other borrowings		278,852	268,142
Tax payable		2,244	2,244
		<hr/>	<hr/>
Total current liabilities		284,492	277,081
NET CURRENT ASSETS			
		<hr/>	<hr/>
Net assets		1,095,611	896,843
		<hr/>	<hr/>
		2,142,918	1,951,365
		<hr/> <hr/>	<hr/> <hr/>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)*30 September 2012*

	30 September 2012 (Unaudited) <i>HK\$'000</i>	31 March 2012 (Audited) <i>HK\$'000</i>
EQUITY		
Equity attributable to owners of the Company		
Issued capital	36,767	12,256
Reserves	<u>2,090,110</u>	<u>1,923,231</u>
	2,126,877	1,935,487
Non-controlling interest	<u>16,041</u>	<u>15,878</u>
Total equity	<u><u>2,142,918</u></u>	<u><u>1,951,365</u></u>

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 September 2012

1.1 BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 *Interim Financial Reporting* issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) and the applicable disclosure requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

The condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group’s annual financial statements for the year ended 31 March 2012.

The Group discontinued its property holding and investment operation during the year ended 31 March 2012 as detailed in note 7. Accordingly, the comparative condensed consolidated income statement and related notes for the six months ended 30 September 2011 have been re-presented.

1.2 SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted in the preparation of the condensed consolidated financial statements are consistent with those followed in the preparation of the Group’s annual financial statements for the year ended 31 March 2012, except for the adoption of the following new and revised Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the HKICPA for the first time for the current period’s condensed consolidated 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 these new and revised HKFRSs has had no significant financial effect on these condensed consolidated financial statements and there have been no significant changes to the accounting policies applied in these condensed consolidated financial statements.

2. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised 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 discontinued operation of the Group. Further details are set out in note 7.

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.

2. OPERATING SEGMENT INFORMATION (CONTINUED)

For the six months ended 30 September 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	
Segment revenue:									
Sales to external customers	14,301	4,209	9	10,454	-	250	29,223	-	29,223
Intersegment sales	-	-	-	-	-	-	-	-	-
	14,301	4,209	9	10,454	-	250	29,223	-	29,223
<i>Reconciliation:</i>									
Elimination of intersegment sales							-	-	-
Total revenue							<u>29,223</u>	<u>-</u>	<u>29,223</u>
Segment results	(65,075)	4,167	(1,415)	7,601	27,375	(217)	(27,564)	-	(27,564)
<i>Reconciliation:</i>									
Bank interest income							48	-	48
Other interest income							258	-	258
Corporate and other unallocated expenses							(8,090)	-	(8,090)
Finance costs							(4,336)	-	(4,336)
Loss before tax							<u>(39,684)</u>	<u>-</u>	<u>(39,684)</u>

* Amount represented insurance brokerage income resulted for the six months ended 30 September 2012 after the new membership obtained from Professional Insurance Brokers Association by a subsidiary of the Company during the period.

2. OPERATING SEGMENT INFORMATION (CONTINUED)

For the six months ended 30 September 2011

	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	
Segment revenue:									
Sales to external customers	(1,925)	9,428	3,983	1,958	5,974	-	19,418	288	19,706
Intersegment sales	-	-	-	-	-	-	-	-	-
	(1,925)	9,428	3,983	1,958	5,974	-	19,418	288	19,706
<i>Reconciliation:</i>									
Elimination of intersegment sales							-	-	-
Total revenue							<u>19,418</u>	<u>288</u>	<u>19,706</u>
Segment results	(430,991)	8,835	(1,751)	1,277	8,614	-	(414,016)	24,134	(389,882)
<i>Reconciliation:</i>									
Bank interest income							5	-	5
Other interest income							738	-	738
Corporate and other unallocated expenses							(8,585)	-	(8,585)
Finance costs							(5,129)	-	(5,129)
Profit/(loss) before tax							<u>(426,987)</u>	<u>24,134</u>	<u>(402,853)</u>

Amount represented insurance brokerage income resulted for the six months ended 30 September 2011 from those subsidiaries being disposed of in September 2011.

3. 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; commission and brokerage income from securities dealings; commission from underwriting and placing services; interest income on margin financing activities; and corporate finance advisory fee during the period. The gross rental income received and receivable from investment properties was included under the revenue of the discontinued operation as set out in note 7.

3. REVENUE, OTHER INCOME AND GAINS (CONTINUED)

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

	For the six months ended	
	30 September	
	2012	2011
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Revenue		
Interest income from provision of finance	4,209	9,428
Dividend income from investments at fair value through profit or loss	13,546	9,739
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	755	(11,664)
Insurance brokerage income	9	3,983
Commission and brokerage income from securities dealings	495	799
Commission from underwriting and placing services	5,721	845
Interest income on margin financing activities	4,238	314
Corporate finance advisory fee	250	–
	<hr/>	<hr/>
Attributable to continuing operations	29,223	19,418
Attributable to the discontinued operation (<i>note 7</i>)	–	288
	<hr/>	<hr/>
	29,223	19,706
	<hr/> <hr/>	<hr/> <hr/>
Other income and gains		
Bank interest income	48	5
Other interest income	258	738
Gain on disposal of an available-for-sale investment	17,423	–
Gain on changes in shareholding interests in associates, net	34,590	–
Gain on disposal of subsidiaries, net	–	265
Gain on deemed partial disposals and acquisition of additional interest in an associate, net	–	1,501
Others	260	3,536
	<hr/>	<hr/>
Attributable to continuing operations	52,579	6,045
Attributable to the discontinued operation (<i>note 7</i>)	–	23,899
	<hr/>	<hr/>
	52,579	29,944
	<hr/> <hr/>	<hr/> <hr/>

4. FINANCE COSTS

An analysis of finance costs is as follows:

	For the six months ended	
	30 September	
	2012	2011
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Interest on other borrowings wholly repayable within one year or on demand	4,336	5,129

5. LOSS BEFORE TAX

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

	For the six months ended	
	30 September	
	2012	2011
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Employee benefit expenses (excluding directors' remuneration):		
Wages, salaries and allowances	3,161	3,596
Retirement benefit scheme contributions (defined contribution schemes)	114	91
	3,275	3,687
Depreciation	616	445

6. INCOME TAX EXPENSE

No provision for Hong Kong profits tax has been made for the current reporting period as the Group did not generate any assessable profits arising in Hong Kong during the period (period ended 30 September 2011: Nil).

6. INCOME TAX EXPENSE (CONTINUED)

	For the six months ended	
	30 September	
	2012	2011
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Current – Hong Kong		
Overprovision in prior year	–	(2,475)
	<u>–</u>	<u>(2,475)</u>
Total tax credit for the period	<u>–</u>	<u>(2,475)</u>

The share of tax attributable to associates amounting to HK\$860,000 (period ended 30 September 2011: HK\$3,493,000) is included in “Share of profits and losses of associates” in the condensed consolidated income statement.

7. DISCONTINUED OPERATION

On 13 April 2011, the Company announced to dispose of the Group’s entire interest in Future Master Investments Limited and its subsidiaries (“Future Master Group”). Future Master Group’s principal business is in property investments and 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 period are presented below. The comparative profit or loss has been re-presented to include the operation classified as discontinued in the prior period.

	<i>Note</i>	For the six months ended	
		30 September	
		2012	2011
		(Unaudited)	(Unaudited)
		HK\$'000	HK\$'000
Revenue	3	–	288
General and administrative expenses		–	(53)
		<u>–</u>	<u>(53)</u>
Profit before tax from the discontinued operation		–	235
Gain on disposal of the discontinued operation	3	–	23,899
		<u>–</u>	<u>23,899</u>
Profit for the period from the discontinued operation		<u>–</u>	<u>24,134</u>
Earnings per share:			
Basic and diluted, from the discontinued operation		<u>–</u>	<u>9.44 HK cents</u>

7. DISCONTINUED OPERATION (CONTINUED)

The calculations of basic earnings per share from the discontinued operation are based on:

	For the six months ended	
	30 September	
	2012	2011
	(Unaudited)	(Unaudited)
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 period used in the basic earnings per share calculation (<i>note 8(a)</i>)	<u>718,163,586</u>	<u>255,702,160</u>

8. LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY

(a) Basic loss per share

The calculation of basic loss per share amounts is based on the loss for the period attributable to ordinary equity holders of the Company of HK\$39,847,000 (period ended 30 September 2011: HK\$400,378,000), and the weighted average number of 718,163,586 (period ended 30 September 2011: 255,702,160, as restated) ordinary shares in issue during the period. The basic loss per share amount for the period ended 30 September 2011 has been adjusted to reflect the share consolidations and the rights issue during the prior year and the current period.

The calculation of basic loss per share amounts from continuing operations is based on the loss for the period from continuing operations attributable to ordinary equity holders of the Company of HK\$39,847,000 (period ended 30 September 2011: HK\$424,512,000) and the weighted average number of 718,163,586 (period ended 30 September 2011: 255,702,160, as restated) ordinary shares in issue during the period. The basic loss per share amount from continuing operations for the period ended 30 September 2011 has been adjusted to reflect the share consolidations and the rights issue during the prior year and the current period.

(b) Diluted loss per share

The Group had no potentially dilutive ordinary shares in issue during the periods ended 30 September 2012 and 30 September 2011.

9. INTERIM DIVIDEND

The directors do not recommend the payment of an interim dividend for the six months ended 30 September 2012 (period ended 30 September 2011: Nil).

10. ACCOUNTS RECEIVABLE

	30 September 2012 (Unaudited) HK\$'000	31 March 2012 (Audited) HK\$'000
Accounts receivable arising from the ordinary course of business of dealing in securities:		
Clearing houses	784	4,707
Cash clients	18	48
Margin clients	<u>89,631</u>	<u>37,610</u>
	<u>90,433</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 balances with margin clients which are repayable on demand. The above balances are all aged within 60 days, based on the trade date.

Except for margin loans receivable of HK\$89,631,000 as at 30 September 2012 (31 March 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.

11. ACCOUNTS PAYABLE

The balances as at 30 September 2012 were all aged within 30 days (31 March 2012: 30 days).

12. PLEDGE OF ASSETS

As at 30 September 2012, investments at fair value through profit or loss of HK\$1,120,083,000 (31 March 2012: HK\$891,116,000) and an available-for-sale investment of HK\$7,217,000 (31 March 2012: HK\$17,693,000) were pledged to certain financial institutions to secure certain margin financing facilities provided to the Group.

13. CONTINGENT LIABILITIES

At the end of the reporting period, contingent liabilities not provided for in these condensed consolidated financial statements were as follows:

	30 September 2012 (Unaudited) HK\$'000	31 March 2012 (Audited) HK\$'000
Guarantees given to banks in connection with facilities granted to entities owned by the Group's available-for-sale investment	<u> -</u>	<u> 85,141</u>

As at 31 March 2012, the banking facilities granted to entities owned by the Group's available-for-sale investment subject to guarantees given to banks by the Group were utilised to the extent of approximately HK\$64,516,000. These guarantees were fully released during the current period.

14. EVENTS AFTER THE REPORTING PERIOD

Subsequent to 30 September 2012, HEC underwent certain share transactions and the Group's shareholding interest in HEC was diluted to approximately 19.55% up to the date of this announcement. The Group is still in the process of making an assessment of the impact of the changes in shareholding interest in HEC.

15. COMPARATIVE AMOUNTS

The comparative condensed consolidated income statement and certain disclosure notes have been re-presented as if the operation discontinued during the year ended 31 March 2012 had been discontinued at the beginning of the comparative period.

INTERIM DIVIDEND

The Directors do not recommend the payment of an interim dividend for the six months ended 30 September 2012 (2011: Nil).

BUSINESS REVIEW

The Group's consolidated net loss for the period was approximately HK\$39.7 million (2011: HK\$400.4 million). The consolidated net assets of the Group increased from HK\$1,951.4 million as at 31 March 2012 to approximately HK\$2,142.9 million as at 30 September 2012. The consolidated net loss was mainly attributed to the significant unrealised loss from securities trading business and share of results of associates.

During the six months ended 30 September 2012, 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. The total net proceeds from the rights issue was approximately HK\$239.2 million.

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 in mid-April 2012 ("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 the completion of Cordoba Reorganization, the Group owned approximately 5.26% shareholding interest in HEC. At the end of April 2012, HEC issued further shares to other investors and the Group's shareholding interest in HEC was diluted to approximately 3.18%.

In mid-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 the completion of the Reorganization, the Group owned approximately 27.70% shareholding interest in HEC. Subsequent to further share transactions undertaken by HEC after the Reorganization, the Group's shareholding interest in HEC was further diluted to approximately 25.40% as at 30 September 2012.

In July 2012, the Company completed a share consolidation. Upon completion of the share consolidation, the authorised share capital of the Company was HK\$5,000,000,000 divided into 100,000,000,000 shares of HK\$0.05 each and the issued share capital of the Company was HK\$36,766,871.10 divided into 735,337,422 shares of HK\$0.05 each.

In September 2012, a subsidiary with principal activities of 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.

FINANCIAL REVIEW

The Group's turnover from continuing operations for the six months ended 30 September 2012 increased by approximately 50.5% to HK\$29.2 million compared to HK\$19.4 million for the same period in 2011. Income from sale of securities included in trading of securities segment recorded a profit of HK\$0.8 million, representing a substantial increase as compared to a loss of HK\$11.7 million for the same period in 2011 as certain listed securities were sold at market sentiment. Dividend income from trading investments included in trading of securities segment increased to HK\$13.5 million compared to HK\$9.7 million for the same period in 2011, it was mainly due to more dividends were received by the Group from listed securities. Interest income from provision of finance decreased by approximately 55.3% to HK\$4.2 million compared to HK\$9.4 million for the same period in 2011 as the loan financing market continued to be competitive. Insurance brokerage income and corporate finance advisory fee were not significant for the current period as the subsidiaries for insurance brokerage segment and corporate finance advisory segment are still exploring market opportunities and in developing phases. Income from financial services segment, including services of securities brokerage, placing services, underwriting and margin financing service, was HK\$10.5 million, representing a substantial increase of approximately 425% when compared to HK\$2.0 million for the same period in 2011 as the Group has undertaken a number of sizeable underwriting, sub-underwriting, placing and sub-placing transactions during the current period. Dividend income from an available-for-sale investment included in investment holding segment was HK\$6.0 million in 2011. No rental income was recorded in the current period after the disposal of property holding and investment subsidiaries in April 2011.

The Group's gross profit from continuing operations for the six months ended 30 September 2012 was HK\$29.2 million (2011: HK\$15.2 million), representing an increase of approximately 92.1% as compared to the same period in 2011. It was mainly due to the increase in income from financial services and a profit from sale of securities.

The Group recorded a significant unrealised fair value loss on securities held for trading of HK\$79.4 million (2011: HK\$431.3 million). General and administrative expenses slightly decreased by 2.6% to HK\$15.2 million compared to HK\$15.6 million for the same period in 2011.

Other income and gains from continuing operations increased from HK\$6.0 million in 2011 to HK\$52.6 million in the current period. During the period, there was a net gain on changes in shareholding interests in associates of approximately HK\$34.6 million recorded in the profit or loss mainly in respect of the Reorganization. In 2011, there was a net gain on disposal of subsidiaries of approximately HK\$0.3 million and net gain on deemed partial disposals and acquisition of additional interest in an associate of approximately HK\$1.5 million, no such income was recorded during the current period. Share of losses of associates of HK\$22.6 million was resulted for the current period whilst for the same period in 2011, share of profits from associates of HK\$6.4 million was recorded. Finance costs decreased by approximately 15.7% to HK\$4.3 million from HK\$5.1 million as compared to the same period in 2011. The net loss from continuing operations attributable to shareholders of the Company was HK\$39.8 million (2011: HK\$400.4 million) which was mainly attributed to the significant unrealised loss on investments held for trading and share of losses of associates. Profit from the discontinued operation for the period ended 30 September 2011 amounted to approximately HK\$24.1 million as a result of the disposal of property holding and investment subsidiaries in that period. During the period, all of the direct expenses related to issuance of new shares were set off against the Company's reserve.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

As at 30 September 2012, net current assets of the Group amounted to HK\$1,095.6 million (31 March 2012: HK\$896.8 million) with cash and bank balances of HK\$143.6 million (31 March 2012: HK\$235.9 million). The Group had secured other borrowings of HK\$278.9 million (31 March 2012: HK\$268.1 million). Gearing ratio calculated on the basis of the Group's total borrowings over shareholders' funds was 13.1% (31 March 2012: 13.9%). 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 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 had no material capital commitment as at 30 September 2012 (31 March 2012: 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 adequate financial resources to meet its ongoing operational requirements. The Group's assets portfolio is mainly financed by its shareholders' funds. As at 30 September 2012, the Group had shareholders' funds of approximately HK\$2,126.9 million (31 March 2012: HK\$1,935.5 million).

PROSPECTS

In light of the current global economy, the Company maintains positive outlook on the financial services sector. The Group will continue to focus on its principal business segments as well as devote more resources to grow these business segments in order to enhance shareholders' returns.

EVENT AFTER THE REPORTING PERIOD

Subsequent to 30 September 2012, HEC underwent certain share transactions and the Group's shareholding interest in HEC was further diluted to approximately 19.55% up to the date of this announcement. The Group is still in the process of making an assessment of the impact of the changes in shareholding interest in HEC.

EMPLOYEES AND REMUNERATION POLICY

As at 30 September 2012, the Group employed about 31 staff members including directors of the Company. Staff costs incurred for the period, including directors' remuneration, was approximately HK\$6.4 million (2011: HK\$6.3 million).

It is the remuneration policy of the Group to reward its employees with reference to their qualifications, experience and work performance as well as to market benchmarks. Remuneration packages, including the grant of share options, are 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.

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

During the six months ended 30 September 2012, the Company repurchased three of its shares on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") and these shares were subsequently cancelled by the Company:

Date of Repurchase	No. of shares repurchased	Price per share	Total Consideration (excluding expenses) <i>HK\$</i>
9 July 2012 (cancelled on 12 July 2012)	3	0.033	0.099

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 six months ended 30 September 2012.

AUDIT COMMITTEE

The condensed consolidated results of the Company for the six months ended 30 September 2012 have not been audited, but have been reviewed by the Company's external auditors and the Audit Committee. The Audit Committee comprises the four independent non-executive directors of the Company. The primary duties of the Audit Committee are, amongst other matters, to communicate with the management of the Company; and to review the accounting principles and practices, internal control, interim and annual results of the Group.

CORPORATE GOVERNANCE

The Company has adopted the code provisions of the Corporate Governance Code (the “Code”) contained in Appendix 14 of 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 six months ended 30 September 2012:

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 and two Non-executive Directors were unable to attend the annual general meeting of the Company held on 31 August 2012 as they had other engagements.

PUBLICATION OF FINANCIAL INFORMATION

This results announcement is published on the web sites of the Stock Exchange (www.hkex.com.hk) and the Company (www.freeman279.com). The Group’s Interim Financial Report for 2012 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 November 2012

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