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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)**

### **(1) DISCLOSEABLE TRANSACTION IN RELATION TO ACQUISITION OF REMAINING SHARES IN FREEMAN SECURITIES LIMITED**

**AND**

### **(2) ISSUE OF SHARES UNDER GENERAL MANDATE**

The Board announces that on 21 March 2013, the Company and the Purchaser entered into the Sale and Purchase Agreement with the Vendor, pursuant to which, subject to the fulfillment of certain conditions, the parties have agreed amongst other things as follows:

- (i) the Vendor agreed to sell and the Purchaser agreed to purchase 15,000,000 Freeman Securities Shares (representing approximately 8.77% equity interest of Freeman Securities), which is an indirect non-wholly owned subsidiary of the Company, from the Vendor at a consideration of HK\$16,140,000. Upon Completion, Freeman Securities will become an indirect wholly-owned subsidiary of the Company; and
- (ii) the Purchaser agreed to pay a sum of HK\$5,115,000 in cash to the Vendor as partial payment of the Consideration and the Company agreed to allot and issue 105,000,000 new Shares to the Vendor or its nominees under the General Mandate as partial payment of the Consideration. It represents approximately 14.28% of the entire issued share capital of the Company as at the date of this announcement and approximately 12.49% of the enlarged issued share capital of the Company after the allotment and issue of the Consideration Shares to the Vendor or its nominees.

## **LISTING RULES IMPLICATION**

As some of the relevant Percentage Ratios in respect of the Acquisition exceed 5% but are not more than 25%, the Acquisition constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules.

**As the completion of the Sale and Purchase Agreement is subject to the satisfaction of the conditions precedent contained therein and it may or may not proceed, Shareholders and potential investors are advised to exercise caution when dealing in the Shares.**

The Board announces that on 21 March 2013, the Company and the Purchaser entered into the Sale and Purchase Agreement with the Vendor, pursuant to which, subject to the fulfillment of certain conditions, the parties have agreed amongst other things as follows:

- (i) the Vendor agreed to sell and the Purchaser agreed to purchase 15,000,000 Freeman Securities Shares (representing approximately 8.77% equity interest of Freeman Securities), which is an indirect non-wholly owned subsidiary of the Company, from the Vendor at a consideration of HK\$16,140,000. Upon Completion, Freeman Securities will become an indirect wholly-owned subsidiary of the Company; and
- (ii) the Purchaser agreed to pay a sum of HK\$5,115,000 in cash to the Vendor as partial payment of the Consideration and the Company agreed to allot and issue 105,000,000 new Shares to the Vendor or its nominees under the General Mandate as partial payment of the Consideration. It represents approximately 14.28% of the entire issued share capital of the Company as at the date of this announcement and approximately 12.49% of the enlarged issued share capital of the Company after the issue and allotment of the Consideration Shares to the Vendor or its nominees.

## **THE SALE AND PURCHASE AGREEMENT**

Set out below are the principal terms of the Sale and Purchase Agreement:

### **Date:**

21 March 2013 (after trading hours)

### **Parties:**

- (1) The Vendor;
- (2) The Purchaser; and
- (3) The Company

As at the date of the Sale and Purchase Agreement, the Purchaser owns 156,000,000 Freeman Securities Shares, representing approximately 91.23% equity interest in Freeman Securities.

## **Sale Shares to be acquired**

Pursuant to the Sale and Purchase Agreement, the Vendor as the legal and beneficial owner of the Sale Shares conditionally agreed to sell and the Purchaser conditionally agreed to purchase the Sale Shares free from all Encumbrances and with all rights attached. The Sale Shares represent approximately 8.77% of the issued share capital of Freeman Securities.

To the best of the Directors' knowledge, information and belief, and having made all reasonable enquiries, the Vendor and its ultimate beneficial owners are an independent third party and not a connected person under the definition of the Listing Rules.

## **Consideration**

The consideration of HK\$5,115,000 in cash and the Consideration Shares for the Acquisition was agreed between the parties after arm's length negotiations by reference to, amongst other things, the latest unaudited pro-rata net asset value of Freeman Securities as at 31 December 2012 and the future prospects of Freeman Securities.

## **Consideration Shares**

Pursuant to the Sale and Purchase Agreement, the Company agreed to allot and issue 105,000,000 new Shares with par value of HK\$0.05 each to the Vendor or its nominees under the General Mandate as partial payment of the Consideration. It represents approximately 14.28% of the entire issued share capital of the Company as at the date of this announcement and approximately 12.49% of the enlarged issued share capital of the Company after the allotment and issue of the Consideration Shares to the Vendor or its nominees.

The Consideration Shares, when issued and fully paid, will rank pari passu in all respects with the Shares in issue on the date of allotment and issue of the Consideration Shares.

## **General Mandate**

The Consideration Shares will be allotted and issued under the General Mandate granted by the Shareholders to the Directors at the annual general meeting of the Company on 31 August 2012.

As at the date of this announcement, no Shares have been allotted and issued pursuant to the General Mandate and accordingly the issue of the Consideration Shares is not subject to any further approval by the Shareholders.

## **Issue price**

The issue price for the Consideration Shares of HK\$0.105 per Consideration Share was determined after arm's length negotiation between the parties with reference to prevailing market prices of the Shares as illustrated below. It represents:

- (i) a discount of approximately 1.87% to the closing price of HK\$0.107 per Share as quoted on the Stock Exchange on 21 March 2013, being the date of the Sale and Purchase Agreement; and

- (ii) a discount of approximately 2.78% to the average closing price of HK\$0.108 per Share as quoted on the Stock Exchange for the last five trading days up to and including 20 March 2013, being the last trading day immediately preceding the date of the Sale and Purchase Agreement.

### **Conditions of the Sale and Purchase Agreement**

Completion of the Sale and Purchase Agreement is conditional upon, amongst other things, the following conditions precedent:

- (i) the Company having obtained from the Stock Exchange the approval for the listing of and permission to deal in the Consideration Shares; and
- (ii) if applicable, the obtaining of all consents from regulatory authorities or third parties which are necessary in connection with the execution and performance of the Sale and Purchase Agreement and any of the transaction contemplated hereunder.

If the conditions mentioned above have not been fulfilled on or before the last day of two calendar months from the date of the Sale and Purchase Agreement or such other later date as shall be agreed by the Purchaser and the Vendor in writing, the Sale and Purchase Agreement shall cease and determine and neither party shall have any obligations and liabilities towards each other save for any antecedent breaches of the terms of the Sale and Purchase Agreement.

Application will be made by the Company to the Listing Committee of the Stock Exchange for listing of, and permission to deal in, the Consideration Shares.

### **Completion**

Completion shall take place on the Completion Date after the fulfillment of the Conditions.

### **FINANCIAL INFORMATION ON FREEMAN SECURITIES**

According to the latest unaudited management accounts of Freeman Securities as at and for the year ended 31 December 2012, the value of the total assets of and net assets of Freeman Securities as at 31 December 2012 were approximately HK\$232.8 million and HK\$184.0 million respectively.

Further financial information of Freeman Securities is set out as below:

	<b>Year ended 31 December</b>	
	<b>2012</b>	<b>2011</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
	<b>(unaudited)</b>	<b>(audited)</b>
Profit before income tax	10,361	8,927
Profit after income tax	10,361	8,230

Upon Completion, Freeman Securities will become an indirect wholly-owned subsidiary of the Company.

## FUND RAISING EXERCISES DURING THE PAST 12 MONTHS

<b>Date of announcement</b>	<b>Fund raising activity</b>	<b>Net proceeds to be raised/raised (approximately)</b>	<b>Proposed use of the net proceeds</b>	<b>Actual use of the net proceeds</b>
4 December 2012	Rights issue of not less than 147,067,484 Adjusted Shares and not more than 191,187,728 Adjusted Shares at HK\$0.85 each on the basis of 2 rights shares for every share held on the Record Date (as described in the circular of the Company dated 17 January 2013)	HK\$119.5 million / HK\$155.9 million	Intends to undertake proprietary trading activities and/or invest into third-party managed funds with the remaining of approximately HK\$18 million for working capital purposes	Approved by the Shareholders at extraordinary general meeting held on 18 February 2013 but not yet completed
19 January 2012	Rights issue of 2,451,124,742 shares at HK\$0.10 each on the basis of 2 rights shares for every share held on 18 April 2012	HK\$239.2 million	For general working capital with an amount of approximately HK\$5 million and substantially for: (a) providing funding support to the Group's securities brokerage business with an amount ranging from approximately HK\$91 million to HK\$131 million, (b) strategic investments in areas such as financial planning, insurance brokerage and corporate finance services with an amount of approximately HK\$10 million, and (c) investments in marketable securities for potential capital appreciation with an amount ranging from approximately HK\$92 million to HK\$132 million	Used as intended, except that only approximately HK\$3 million has been utilised for strategic investments in areas such as financial planning, insurance brokerage and corporate finance services, and the balance of HK\$7 million has been earmarked for such strategic investments but not yet utilised
3 October 2011	Issue of 188,548,057 shares to Willie International Holdings Limited	HK\$48.1 million	For replenishment of the working capital of the Company as described in the Company's circular dated 30 November 2011	Used as intended

Save as disclosed above, the Company has not conducted any other fund raising exercises in the past twelve months before the date of this announcement.

## EFFECT OF THE SHAREHOLDING OF THE COMPANY

The shareholding structure of the Company (i) as at the date of this announcement, and (ii) immediately after completion of the allotment and issue of Consideration Shares is as follows:

Shareholder	As at the date of this announcement		Immediately after completion of the allotment and issue	
	Number of Shares	Approximate %	Number of Shares	Approximate %
<b>Substantial Shareholders:</b>				
Willie International Holdings Limited	113,128,834	15.38	113,128,834	13.46
The Vendor	-	-	105,000,000	12.49
<b>Executive Directors:</b>				
Andrew Liu	124,094,235	16.88	124,094,235	14.77
Au Shuk Yee, Sue	819,480	0.11	819,480	0.09
Chow Mun Yee	672,000	0.09	672,000	0.08
Gary Drew Douglas	472,000	0.06	472,000	0.06
Frank H. Miu	472,000	0.06	472,000	0.06
<b>Other Public Shareholders</b>	<u>495,678,871</u>	<u>67.42</u>	<u>495,678,871</u>	<u>58.99</u>
<b>Total</b>	<b><u>735,337,420</u></b>	<b><u>100.00</u></b>	<b><u>840,337,420</u></b>	<b><u>100.00</u></b>

## REASONS FOR AND BENEFITS OF THE ACQUISITION

The Company currently owns approximately 91.23% equity interest in Freeman Securities. Upon completion of the Acquisition, Freeman Securities will become an indirect wholly-owned subsidiary of the Company. Despite the current market condition, the Group maintains a positive outlook in the financial markets. With the profit-making track record for the two years ended 31 December 2011 and 2012 of Freeman Securities (as shown in above), the Acquisition will enable the Group to consolidate 100% future profits of Freeman Securities. In addition, the Consideration was equivalent to the pro-rata net asset value of Freeman Securities as at 31 December 2012. Part of the Consideration will be settled by the Consideration Shares to be allotted and issued under the General Mandate which will broaden the capital base of the Company.

The Directors are of the view that the terms of the Sale and Purchase Agreement and the Acquisition are in normal commercial terms, fair and reasonable and in the interests of the Company and Shareholders as a whole.

## **GENERAL INFORMATION**

### **Principal Business Activities**

#### **(a) The Group**

The Group is principally engaged in the financial services sector, including the provision of securities brokerage services, the provision of insurance brokerage and financial planning services, the provision of corporate finance advisory services, trading of securities, provision of finance, as well as investment holding.

The gross proceeds from sale of investments at fair value through profit or loss for the year ended 31 March 2012 is approximately HK\$219,878,000.

#### **(b) Freeman Securities**

Freeman Securities is a company incorporated in Hong Kong with limited liability and is principally engaged in the provision of securities brokerage services and trading of securities.

#### **(c) The Purchaser**

The Purchaser is a company incorporated in the British Virgin Islands with limited liability and is principally engaged in investment holding.

#### **(d) The Vendor**

The Vendor is a company incorporated in the British Virgin Islands with limited liability and is a wholly-owned subsidiary of China Yunnan. It is principally engaged in investment holding.

**As the completion of the Sale and Purchase Agreement is subject to the satisfaction of the conditions precedent contained therein and it may or may not proceed, Shareholders and potential investors are advised to exercise caution when dealing in the Shares.**

### **Listing Rules Implication**

As some of the relevant Percentage Ratios in respect of the Acquisition exceed 5% but are not more than 25%, the Acquisition constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules.

## DEFINITIONS

Unless the context otherwise requires, the following expressions have the following meanings in this announcement:

“Acquisition”	the acquisition of the Sale Shares pursuant to the terms of the Sale and Purchase Agreement
“Adjusted Share(s)”	ordinary share(s) of HK\$0.01 each in the issued and unissued share capital of the Company upon the capital reorganization becoming effective (as described in the circular of the Company dated 17 January 2013)
“Board”	the board of Directors
“Business Day”	a day on which banks in Hong Kong are open for business other than (i) a Saturday or (ii) a “general holiday” as defined in Section 2 of the General Holidays Ordinance Cap.149, or one of the days specified from time to time in the schedule to that Ordinance as being “general holidays” under Section 3 thereof or (iii) a day on which a black rainstorm warning or tropical cyclone warning signal number 8 or above is hoisted in Hong Kong at any time between 9:00 a.m. and 12:00 noon and is not lowered at or before 12:00 noon and “Business Days” shall be construed accordingly
“China Yunnan”	China Yunnan Tin Minerals Group Company Limited (Stock Code: 263), a company incorporated in Hong Kong with limited liability and whose shares are listed on the Main Board of the Stock Exchange
“Company”	Freeman Financial Corporation Limited (Stock Code: 279), a company incorporated in the Cayman Islands with limited liability and whose shares are listed on the Main Board of the Stock Exchange
“Completion”	completion of the sale and purchase of Sale Shares pursuant to the Sale and Purchase Agreement
“Completion Date”	not later than the third Business Day following the satisfaction of the Conditions or such other date as the Purchaser and the Vendor may agree
“Conditions”	conditions precedent contained in the Sale and Purchase Agreement for the Completion
“Consideration”	the consideration payable by the Purchaser to the Vendor for the acquisition of the Sales Shares



“Consideration Shares”	105,000,000 new ordinary shares of HK\$0.05 each to be allotted and issued by the Company pursuant to the General Mandate to the Vendor or its nominee as partial payment of the Consideration
“Director(s)”	director(s) of the Company
“Encumbrance”	any mortgage, charge, pledge, lien, hypothecation, equities, adverse claims, restrictions, pre-emption rights or other encumbrance, priority or security interest or other rights of whatsoever nature or interest or any agreement for any of the same and “Encumbrances” shall be construed accordingly
“Freeman Securities”	Freeman Securities Limited, a company incorporated in Hong Kong with limited liability and licensed to carry out business in type 1 (dealing in securities) regulated activity under the Securities and Futures Ordinance
“Freeman Securities Share(s)”	ordinary share(s) of HK\$1 each in the issued share capital of Freeman Securities
“General Mandate”	the general mandate granted by the Shareholders to the Directors at the annual general meeting of the Company on 31 August 2012 to allot and issue and deal with 20% of the then issued share capital of the Company
“Group”	the Company and its subsidiaries
“Hong Kong”	Hong Kong Special Administrative Region of the PRC
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Percentage Ratio (s)”	percentage ratio(s) as set out in rule 14.07 of the Listing Rules to be applied for determining the classification of a transaction
“Purchaser”	Dynastic Union Limited, a company incorporated in the British Virgin Islands with limited liability and an indirect wholly-owned subsidiary of the Company
“Sale Shares”	15,000,000 ordinary shares of HK\$1.00 each in the issued share capital of Freeman Securities
“Sale and Purchase Agreement”	a conditional Sale and Purchase Agreement dated 21 March 2013 entered into between the Vendor, the Purchaser and the Company in relation to the Acquisition and the issue of Consideration Shares of the Company under the General Mandate

“Share(s)”	ordinary share(s) of the Company with a par value of HK\$0.05
“Shareholder(s)”	registered holder(s) of the Shares of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary or subsidiaries”	has the meaning ascribed thereto under the Listing Rules
“Vendor”	Global Wealthy International Limited, a company incorporated in the British Virgin Islands with limited liability and a wholly-owned subsidiary of China Yunnan
“%”	per cent.

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

Hong Kong, 21 March 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