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FREEMAN FINANCIAL CORPORATION LIMITED

民豐企業控股有限公司

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 279)

FINAL RESULTS FOR THE YEAR ENDED 31 MARCH 2012

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 2012, which have been reviewed by the Audit Committee, as follows:

CONSOLIDATED INCOME STATEMENT

Year ended 31 March 2012

	<i>Notes</i>	2012 HK\$’000	2011 HK\$’000
CONTINUING OPERATIONS			
REVENUE	4	8,759	82,163
Cost of sales		<u>(4,175)</u>	<u>(2,364)</u>
Gross profit		4,584	79,799
Other income and gains	4	8,156	167,925
Fair value losses on investments			
at fair value through profit or loss, net		(463,748)	(82,743)
General and administrative expenses		(38,367)	(110,955)
Other expenses, net		(23,659)	(192,645)
Finance costs	6	(8,483)	(41,500)
Share of profits and losses of associates		<u>(140,818)</u>	<u>6,342</u>

	<i>Notes</i>	2012 HK\$'000	2011 <i>HK\$'000</i>
LOSS BEFORE TAX FROM CONTINUING OPERATIONS	5	(662,335)	(173,777)
Income tax expense	7	<u>278</u>	<u>(1,159)</u>
LOSS FOR THE YEAR FROM CONTINUING OPERATIONS		(662,057)	(174,936)
DISCONTINUED OPERATION			
Profit for the year from the discontinued operation	8	<u>24,134</u>	<u>3,438</u>
LOSS FOR THE YEAR		<u>(637,923)</u>	<u>(171,498)</u>
Attributable to:			
Owners of the Company		(639,172)	(189,530)
Non-controlling interests		<u>1,249</u>	<u>18,032</u>
		<u>(637,923)</u>	<u>(171,498)</u>
LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	9		<i>(Restated)</i>
Basic and diluted:			
For loss for the year		<u>(49.66 HK cents)</u>	<u>(38.52 HK cents)</u>
For loss from continuing operations		<u>(51.53 HK cents)</u>	<u>(39.22 HK cents)</u>

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 March 2012

	2012 <i>HK\$'000</i>	2011 <i>HK\$'000</i>
LOSS FOR THE YEAR	<u>(637,923)</u>	<u>(171,498)</u>
OTHER COMPREHENSIVE INCOME		
An available-for-sale investment:		
Change in fair value	(6,282)	55,061
Impairment loss reclassified to the consolidated income statement	<u>6,282</u>	<u>–</u>
	–	55,061
Gain on property revaluation	–	6,081
Share of other comprehensive income of an associate	14,861	4,103
Exchange differences on translation of foreign operations	8	104
Release of exchange fluctuation reserve upon disposal of subsidiaries	<u>(120)</u>	<u>–</u>
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX	<u>14,749</u>	<u>65,349</u>
TOTAL COMPREHENSIVE LOSS FOR THE YEAR	<u>(623,174)</u>	<u>(106,149)</u>
Attributable to:		
Owners of the Company	(624,423)	(150,814)
Non-controlling interests	<u>1,249</u>	<u>44,665</u>
	<u>(623,174)</u>	<u>(106,149)</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 March 2012

	<i>Notes</i>	2012 HK\$'000	2011 HK\$'000
NON-CURRENT ASSETS			
Property, plant and equipment		3,990	33,908
Investment properties		–	140,854
Investment in an associate		904,742	779,489
Intangible asset		339	–
Available-for-sale investments		137,693	425,729
Loans receivable		–	2,000
Note receivable		7,711	–
Deposit paid for acquisition of an associate		–	20,000
Deferred tax assets		47	–
		<hr/>	<hr/>
Total non-current assets		1,054,522	1,401,980
CURRENT ASSETS			
Accounts receivable	<i>10</i>	42,365	–
Loans receivable		2,007	28,125
Prepayments, deposits and other receivables		2,555	5,254
Investments at fair value through profit or loss		891,116	1,033,901
Cash and bank balances		235,881	382,624
		<hr/>	<hr/>
Total current assets		1,173,924	1,449,904
CURRENT LIABILITIES			
Accounts payable	<i>11</i>	2,304	–
Other payables and accruals		4,391	6,938
Interest-bearing bank and other borrowings		268,142	135,121
Tax payable		2,244	2,478
		<hr/>	<hr/>
Total current liabilities		277,081	144,537
NET CURRENT ASSETS			
		896,843	1,305,367
TOTAL ASSETS LESS CURRENT LIABILITIES			
		1,951,365	2,707,347

	2012 <i>HK\$'000</i>	2011 <i>HK\$'000</i>
NON-CURRENT LIABILITIES		
Interest-bearing bank and other borrowings	–	200,000
Deferred tax liabilities	–	5,523
	<hr/>	<hr/>
Total non-current liabilities	–	205,523
	<hr/>	<hr/>
Net assets	1,951,365	2,501,824
	<hr/> <hr/>	<hr/> <hr/>
EQUITY		
Equity attributable to owners of the Company		
Issued capital	12,256	471,370
Reserves	1,923,231	2,030,454
	<hr/>	<hr/>
	1,935,487	2,501,824
	<hr/>	<hr/>
Non-controlling interests	15,878	–
	<hr/>	<hr/>
Total equity	1,951,365	2,501,824
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NOTES

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 (the “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 investment properties, certain available-for-sale investments, derivative financial instruments 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 POLICY AND DISCLOSURES

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

HKFRS 1 Amendment	Amendment to HKFRS 1 <i>First-time Adoption of Hong Kong Financial Reporting Standards – Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters</i>
HKAS 24 (Revised)	<i>Related Party Disclosures</i>
HK(IFRIC)-Int 14 Amendments	Amendments to HK(IFRIC)-Int 14 <i>Prepayments of a Minimum Funding Requirement</i>
HK(IFRIC)-Int 19	<i>Extinguishing Financial Liabilities with Equity Instruments</i>
<i>Improvements to HKFRSs 2010</i>	Amendments to a number of HKFRSs issued in May 2010

Other than as further explained below regarding the impact of HKAS 24 (Revised), and amendments to HKFRS 3, HKAS 1 and HKAS 27 included in *Improvements to HKFRSs 2010*, the adoption of the new and revised HKFRSs has had no significant financial effect on these financial statements.

The principal effects of adopting these HKFRSs are as follows:

(a) HKAS 24 (Revised) *Related Party Disclosures*

HKAS 24 (Revised) clarifies and simplifies the definitions of related parties. The new definitions emphasise a symmetrical view of related party relationships and clarify the circumstances in which persons and key management personnel affect related party relationships of an entity. The revised standard also introduces an exemption from the general related party disclosure requirements for transactions with a government and entities that are controlled, jointly controlled or significantly influenced by the same government as the reporting entity. The accounting policy for related parties has been revised to reflect the changes in the definitions of related parties under the revised standard. The adoption of the revised standard did not have any impact on the financial position or performance of the Group.

(b) *Improvements to HKFRSs 2010* issued in May 2010 sets out amendments to a number of HKFRSs. There are separate transitional provisions for each standard. While the adoption of some of the amendments may result in changes in accounting policies, none of these amendments has had a significant financial impact on the financial position or performance of the Group. Details of the key amendments most applicable to the Group are as follows:

- *HKFRS 3 Business Combinations*: The amendment clarifies that the amendments to HKFRS 7, HKAS 32 and HKAS 39 that eliminate the exemption for contingent consideration do not apply to contingent consideration that arose from business combinations whose acquisition dates precede the application of HKFRS 3 (as revised in 2008).

In addition, the amendment limits the scope of measurement choices for non-controlling interests. Only the components of non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the acquiree's net assets in the event of liquidation are measured at either fair value or at the present ownership instruments' proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at their acquisition date fair value, unless another measurement basis is required by another HKFRS.

The amendment also added explicit guidance to clarify the accounting treatment for non-replaced and voluntarily replaced share-based payment awards.

- *HKAS 1 Presentation of Financial Statements*: The amendment clarifies that an analysis of each component of other comprehensive income can be presented either in the statement of changes in equity or in the notes to the financial statements. The Group elects to present the analysis of each component of other comprehensive income in the statement of changes in equity.
- *HKAS 27 Consolidated and Separate Financial Statements*: The amendment clarifies that the consequential amendments from HKAS 27 (as revised in 2008) made to HKAS 21, HKAS 28 and HKAS 31 shall be applied prospectively for annual periods beginning on or after 1 July 2009 or earlier if HKAS 27 is applied earlier.

3. 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 general and life insurance brokerage business and the provision of related investment linked financial products in Hong Kong;
- (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; and
- (f) 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, the property holding and investment segment is classified as discontinued operation of the Group. Further details are set out in note 8.

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit/(loss), which is a measure of adjusted profit/(loss) before tax. The adjusted profit/(loss) before tax is measured consistently with the Group's profit/(loss) before tax except that bank and other interest income (excluding interest income from provision of finance), finance costs, fair value gain from the Group's derivative components of convertible notes 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 2012/As at 31 March 2012

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

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

Year ended 31 March 2011/As at 31 March 2011

	Continuing operations					Discontinued operation		Total HK\$'000
	Trading of securities HK\$'000	Provision of finance HK\$'000	Insurance brokerage business HK\$'000	Investment holding HK\$'000	Securities brokerage, placing, underwriting and margin financing HK\$'000	Subtotal HK\$'000	Property holding and investment HK\$'000	
Segment revenue:								
Sales to external customers	(62,498)	41,642	2,021	–	100,998	82,163	7,467	89,630
Intersegment sales	–	–	–	22,084	1,156	23,240	1,242	24,482
	(62,498)	41,642	2,021	22,084	102,154	105,403	8,709	114,112
Reconciliation:								
Elimination of intersegment sales						(23,240)	(1,242)	(24,482)
Total revenue						<u>82,163</u>	<u>7,467</u>	<u>89,630</u>
Segment results	(152,178)	19,024	(6,229)	(32,364)	17,246	(154,501)	6,764	(147,737)
Reconciliation:								
Bank interest income						39	–	39
Other interest income						487	–	487
Corporate and other unallocated expenses						(10,772)	–	(10,772)
Fair value gain on derivative components of convertible notes						32,470	–	32,470
Finance costs						(41,500)	(1,798)	(43,298)
Profit/(loss) before tax						<u>(173,777)</u>	<u>4,966</u>	<u>(168,811)</u>
Other segment information:								
Share of profits and losses of associates	–	–	–	6,342	–	6,342	–	6,342
Impairment of accounts receivable	–	–	–	–	10,456	10,456	–	10,456
Loss on redemption of convertible notes	–	–	–	–	19,108	19,108	–	19,108
Depreciation								
– operating segment	–	–	73	22	5,494	5,589	511	6,100
– unallocated						2,144	–	2,144
						<u>7,733</u>	<u>511</u>	<u>8,244</u>
Investment in an associate	–	–	–	779,489	–	779,489	–	779,489
Capital expenditure								
– operating segment	–	–	157	502,548	4,185	506,890	1,574	508,464
– unallocated						4,331	–	4,331
						<u>511,221*</u>	<u>1,574*</u>	<u>512,795*</u>

* *Capital expenditure consists of additions to property, plant and equipment, investment properties and an available-for-sale investment.*

Geographical information

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

	2012	2011
	<i>HK\$'000</i>	<i>HK\$'000</i>
Hong Kong	909,071	954,251

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

Information about major customers

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

	2012	2011
	<i>HK\$'000</i>	<i>HK\$'000</i>
Provision of finance	10,790	–
Securities brokerage, placing, underwriting and margin financing	3,326	–

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, which is also the Group's turnover, under continuing operations, represents interest income earned from provision of finance; dividend income from equity investments; 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; and interest income on margin financing activities during the year. The gross rental income received and receivable from investment properties is included under the revenue of the discontinued operation as set out in note 8.

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

	2012 <i>HK\$'000</i>	2011 <i>HK\$'000</i>
Revenue		
Interest income from provision of finance	11,221	41,642
Dividend income from investments at fair value through profit or loss	12,579	6,230
Dividend income from an available-for-sale investment	5,974	–
Losses from the sale of investments at fair value through profit or loss, net	(38,334)	(68,728)
Insurance brokerage income	3,983	2,021
Commission and brokerage income from securities dealings	1,179	28,851
Commission from underwriting and placing services	10,355	43,900
Interest income on margin financing activities	1,802	28,247
	<hr/>	<hr/>
Attributable to continuing operations	8,759	82,163
Attributable to the discontinued operation (<i>note 8</i>)	288	7,467
	<hr/>	<hr/>
	9,047	89,630
	<hr/> <hr/>	<hr/> <hr/>
Other income and gains		
Bank interest income	8	39
Other interest income	1,002	487
Fair value gain on derivative components of convertible notes	–	32,470
Gain on disposal of subsidiaries, net	265	–
Gain on deemed disposal of interests in subsidiaries	–	6,756
Gain on deemed partial disposals and acquisition of additional interest in an associate, net	1,501	–
Net gain from additional shares issued by an associate	–	18,821
Reversal of a loan receivable previously written off	–	100,008
Reversal of impairment of a loan receivable	526	–
Gain on disposal of items of property, plant and equipment	–	39
Foreign exchange differences, net	120	2,068
Others	4,734	7,237
	<hr/>	<hr/>
Attributable to continuing operations	8,156	167,925
Attributable to the discontinued operation (<i>note 8</i>)	23,899	22
	<hr/>	<hr/>
	32,055	167,947
	<hr/> <hr/>	<hr/> <hr/>

5. LOSS BEFORE TAX

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

	2012 <i>HK\$'000</i>	2011 <i>HK\$'000</i>
Depreciation	894	8,244
Employee benefit expenses (excluding directors' remuneration):		
Wages, salaries and allowances	6,196	21,906
Equity-settled share option expense	–	1,051
Retirement benefit scheme contributions (defined contribution schemes)*	155	1,169
	<u>6,351</u>	<u>24,126</u>
Auditors' remuneration	3,345	3,440
Minimum lease payments under operating leases in respect of land and buildings	5,991	15,904
Direct operating expenses arising on rental-earning investment properties	23	2,036
Rental income on investment properties less direct operating expenses of HK\$23,000 (2011: HK\$2,036,000)	(265)	(5,431)
Loss/(gain) on disposal/write-off of items of property, plant and equipment	32	(39)
Loss/(gain) on disposal of subsidiaries, net	(24,164)	1,680**
Loss on deemed disposals of an associate**	–	50,697
Fair value changes on derivative financial instruments, net**	14,677	–
Loss on redemption of convertible notes**	–	19,108
Impairment of an available-for-sale investment**	6,282	76,813
Impairment of accounts receivable**	–	10,456
Impairment of other receivables**	2,700	–
Reversal of impairment of a loan receivable	(526)	–

* At 31 March 2012, the Group had no material forfeited contributions available to reduce its contributions to the retirement benefit scheme in future years (2011: Nil).

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

6. FINANCE COSTS

An analysis of finance costs is as follows:

	2012 <i>HK\$'000</i>	2011 <i>HK\$'000</i>
Interest on bank loans, overdrafts and other loans wholly repayable within five years or on demand	8,483	16,453
Interest on convertible notes	–	25,047
	<hr/>	<hr/>
Attributable to continuing operations	8,483	41,500
Attributable to the discontinued operation (<i>note 8</i>)	–	1,798
	<hr/>	<hr/>
	8,483	43,298
	<hr/> <hr/>	<hr/> <hr/>

7. INCOME TAX EXPENSE

Hong Kong profits tax has been provided at the rate of 16.5% (2011: 16.5%) on the estimated assessable profits arising in Hong Kong during the year.

	2012 <i>HK\$'000</i>	2011 <i>HK\$'000</i>
Group:		
Current – Hong Kong		
Charge for the year	2,244	4,091
Overprovision in prior year	(2,475)	–
Deferred	(47)	(2,932)
	<hr/>	<hr/>
Tax charge/(credit) attributable to continuing operations	(278)	1,159
Tax charge attributable to the discontinued operation (<i>note 8</i>)	–	1,528
	<hr/>	<hr/>
	(278)	2,687
	<hr/> <hr/>	<hr/> <hr/>

The share of tax attributable to an associate amounting to HK\$998,000 (2011: HK\$100,000) is included in “Share of profits and losses of associates” in the consolidated income statement.

8. 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. The disposal of Future Master Group was completed in April 2011. After the disposal of Future Master Group, the Group discontinued its property holding and investment operation.

The results of Future Master Group for the year are presented below. The comparative profit or loss have been re-presented to include the operation classified as discontinued in the current year.

	<i>Notes</i>	2012 <i>HK\$'000</i>	2011 <i>HK\$'000</i>
Revenue	4	288	7,467
Other income and gains	4	–	22
Gains arising from changes in fair value of investment properties, net		–	5,409
General and administrative expenses		(53)	(4,454)
Other expenses, net		–	(1,680)
Finance costs	6	–	(1,798)
Profit before tax from the discontinued operation		235	4,966
Income tax expense	7	–	(1,528)
		235	3,438
Gain on disposal of the discontinued operation		23,899	–
Profit for the year from the discontinued operation		24,134	3,438
Earnings per share:			
Basic and diluted, from the discontinued operation		1.87 HK cents	0.70 HK cents

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

	2012	2011
Profit attributable to ordinary equity holders of the Company from the discontinued operation	HK\$24,134,000	HK\$3,438,000
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	1,287,243,796	492,074,654 <i>(Restated)</i>

9. 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 year attributable to ordinary equity holders of the Company of HK\$639,172,000 (2011: HK\$189,530,000), and the weighted average number of 1,287,243,796 (2011: 492,074,654, as restated) ordinary shares in issue during the year. The basic loss per share amounts for the years ended 31 March 2012 and 2011 have been adjusted to reflect the share consolidation during the year and the rights issue subsequent to the end of the reporting period.

The calculation of basic loss per share amounts from continuing operations is based on the loss for the year from continuing operations attributable to ordinary equity holders of the Company of HK\$663,306,000 (2011: HK\$192,968,000) and the weighted average number of 1,287,243,796 (2011: 492,074,654, as restated) ordinary shares in issue during the year. The basic loss per share amounts from continuing operations for the years ended 31 March 2012 and 2011 have been adjusted to reflect the share consolidation during the year and the rights issue subsequent to the end of the reporting period.

(b) Diluted loss per share

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

No adjustment was made to the basic loss per share amount presented for the year ended 31 March 2011 in respect of a dilution as the convertible notes outstanding during that year had an anti-dilutive effect on the basic loss per share amount.

10. ACCOUNTS RECEIVABLE

	2012 <i>HK\$'000</i>	2011 <i>HK\$'000</i>
Accounts receivable arising from the ordinary course of business of dealing in securities:		
Clearing houses	4,707	–
Cash clients	48	–
Margin clients	37,610	–
	<u>42,365</u>	<u>–</u>

The settlement terms of accounts receivable attributable to the dealing in securities transactions are two days after trade date except for the balance with margin clients which are repayable on demand. The above balances are all aged within 60 days.

Except for margin loans receivable of HK\$37,610,000 as at 31 March 2012 which were secured by underlying equity securities, the Group did not hold any collateral or other credit enhancements over these balances.

Trading limits are set for customers. The Group seeks to maintain tight control over its outstanding accounts receivable in order to minimise the credit risk. Overdue balances were regularly monitored by management. Accounts receivable as at 31 March 2012 relate to a number of independent clients that have a good track record with the Group and were not impaired. Based on past experience, the directors of the Company were of the opinion that no provision for impairment was necessary in respect of these balances as there had not been a significant change in credit quality and the balances were still considered fully recoverable as at 31 March 2012.

11. ACCOUNTS PAYABLE

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

12. COMPARATIVE AMOUNTS

The comparative consolidated income statement and certain disclosure notes have been re-presented as if the operation discontinued during the current year had been discontinued at the beginning of the comparative period. In addition, certain comparative amounts have been restated to conform with the current year's presentation.

FINAL DIVIDEND

The Directors do not recommend the payment of a final dividend for the year ended 31 March 2012 (2011: Nil).

BUSINESS REVIEW

The Group's consolidated net loss for the year was approximately HK\$637.9 million (2011: HK\$171.5 million). The consolidated net assets of the Group decreased from approximately HK\$2,501.8 million as at 31 March 2011 to approximately HK\$1,951.4 million as at 31 March 2012. The consolidated net loss was mainly attributed to the significant realised and unrealised losses from securities trading business and share of loss of an associate.

The Group acquired additional interest in Freeman Securities Limited ("FSL") to diversify the business arms of the Group and it became a subsidiary during the year. FSL is a private limited company incorporated in Hong Kong with principal activities in the provision of securities brokerage services and trading of securities.

The Group set up a newly incorporated wholly-owned subsidiary, Harvest Financial Services Limited ("Harvest"), to continue its insurance brokerage business as well as commencing the provision of financial planning and related services during the year. The Group also set up another newly incorporated wholly-owned subsidiary, Freeman Corporate Finance Limited, to explore new business opportunities in corporate finance advisory sector.

The Group disposed of its entire interest in Future Master Investments Limited ("Future Master"), a wholly-owned subsidiary of the Company at a consideration of HK\$120 million during the year and recorded a net gain of approximately HK\$23.9 million in the consolidated income statement. Future Master and its direct subsidiaries (collectively referred to as "Future Master Group") mainly held investment properties and buildings of the Group. After the disposal of Future Master Group, the Group discontinued its operations in property holding and investment as to strengthen its focus on other business operations.

The Group acquired a convertible note of Allied Weli Development Limited ("Allied Weli"), an associate of the Group, at a consideration of HK\$250 million during the year. This convertible note was subsequently fully converted into shares of Allied Weli and the Group's interest in Allied Weli was increased to approximately 32.26% as at 31 March 2012.

In March 2012, the Company effected a capital reorganisation which included a share consolidation of every five shares with par value of HK\$0.10 each into one consolidated share with par value of HK\$0.50 each and a capital reduction to reduce the par value of the consolidated share from HK\$0.50 each to HK\$0.01 each by cancellation of the paid-up capital to the extent of HK\$0.49 on each consolidated share. The authorised share capital of the Company of HK\$5,000,000,000 divided into 50,000,000,000 shares of HK\$0.10 each was adjusted to 500,000,000,000 shares of HK\$0.01 each. The Company also issued new shares following the completion of the capital reorganisation to Willie International Holdings Limited and the exercise of share options by the grantees during the year.

FINANCIAL REVIEW

Turnover from continuing operations decreased by approximately 89.3% to HK\$8.8 million compared to HK\$82.2 million in 2011. Income from sale of securities included in trading of securities segment recorded a net loss of HK\$38.3 million, representing a decrease of 44.3% compared to HK\$68.7 million in 2011. Dividend income from trading investments included in trading of securities segment increased by approximately 103.2% to HK\$12.6 million as compared to HK\$6.2 million in 2011 as more dividends were received from the listed securities in 2012. Interest income from provision of finance decreased by approximately 73.1% to HK\$11.2 million compared to HK\$41.6 million in 2011 as a result of a reduced loan portfolio during the year. Income from financial services segment, including services of securities brokerage, placing services, underwriting and margin financing was approximately HK\$13.3 million, representing a decrease of approximately 86.8% as compared to HK\$101.0 million in 2011. With increase in the number of insurance policies during the year, income from insurance brokerage business increased by 100% to approximately HK\$4.0 million as compared to HK\$2.0 million in 2011. Dividend income from an available-for-sale investment included in investment holding segment was HK\$6.0 million (2011: Nil). Profit from the discontinued operation increased by approximately 608.8% to HK\$24.1 million as compared to HK\$3.4 million in 2011 as a result of the disposal of Future Master Group during the year.

Gross profit from continuing operations was approximately HK\$4.6 million (2011: HK\$79.8 million), representing a decrease of approximately 94.2% as compared to last year.

The Group recorded a significant unrealised fair value losses on securities held for trading of approximately HK\$463.7 million for the year (2011: HK\$82.7 million).

The Group is continuously monitoring the daily operation with an aim at cost saving. This year, the general and administrative expenses from continuing operations were approximately HK\$38.4 million, representing a decrease of approximately 65.4% as compared to HK\$111.0 million in 2011. During the year, all of the direct expenses related to issuance of new shares were set off against the Company's reserve.

The net loss attributable to shareholders of the Company was approximately HK\$639.2 million (2011: HK\$189.5 million). Loss per share was 49.66 HK cents (2011: 38.52 HK cents, as restated).

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

As at 31 March 2012, the net current assets of the Group amounted to approximately HK\$896.8 million (2011: HK\$1,305.4 million) and the current ratio (current assets/current liabilities) was 4.2 (2011: 10.0). The cash and bank balances were approximately HK\$235.9 million (2011: HK\$382.6 million).

As at 31 March 2012, the Group had no secured bank loans (2011: HK\$69.7 million) and had secured other borrowings of approximately HK\$268.1 million (2011: secured and unsecured other borrowings of HK\$265.4 million). Gearing ratio, calculated on the basis of the Group's interest-bearing bank and other borrowings divided by the equity attributable to owners of the Company, was 13.9% (2011: 13.4%) at the end of the reporting period. The bank loans and 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 or carried fixed interest rate at 5% per annum, were made in Hong Kong dollar and the Group's exposure to foreign exchange rate was minimal. The Group did not have any financial instruments used for hedging purpose.

The Group's assets portfolio is mainly financed by its shareholders' funds. As at 31 March 2012, the Group had shareholders' funds of approximately HK\$1,935.5 million (2011: HK\$2,501.8 million). During the year, the Company raised net proceeds from issue of new shares of approximately HK\$65.9 million which has been used as the general working capital of the Company. In light of the amount of liquid assets on hand and banking facilities available, the Directors are of the view that the Group has sufficient financial resources to meet its ongoing operational requirements.

PLEDGE OF ASSETS

As at 31 March 2012, investments held for trading of approximately HK\$891.1 million (2011: HK\$1,033.9 million) were pledged to financial institutions to secure margin-financing facilities provided to the Group. As at 31 March 2011, leasehold land and buildings of approximately HK\$23.3 million and investment properties situated in Hong Kong of approximately HK\$140.9 million were pledged to secure general banking facilities granted to the Group (before the disposal of Future Master 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 at 31 March 2012 (2011: Nil).

CONTINGENT LIABILITIES

As at 31 March 2012, the Group has provided guarantees to banks in respect of the mortgage loans made by Future Master Group (which was disposed of by the Group in April 2011) for a term of one year up to April 2012 with an utilised extent of approximately HK\$64.5 million (2011: Nil).

EMPLOYEES’ REMUNERATION POLICY AND RETIREMENT BENEFITS SCHEME

As at 31 March 2012, the Group employed about 32 staff members including directors of the Company (2011: 49 staff). Staff costs incurred for the year, including directors’ remuneration, was approximately HK\$13.0 million (2011: HK\$29.5 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 to market benchmarks. Remuneration packages, include granting of share options, were structured to motivate individual performance and contributions to the Group. The Company has adopted a share option scheme and the Group operates a defined contribution Mandatory Provident Fund retirement benefits scheme under the Mandatory Provident Fund Schemes Ordinance for its employees.

EVENTS AFTER THE REPORTING PERIOD

In May 2012, the Group issued 2,451,124,742 new shares with par value of HK\$0.01 each at a subscription price of HK\$0.10 each under rights issue for a total cash consideration, before expenses, of approximately HK\$245.1 million.

In May 2012, Allied Weli, an associate of the Group, underwent a reorganization (the “Reorganization”) pursuant to which the Group became an approximately 27.70% shareholder in HEC Capital Limited. More details of the Reorganization were disclosed in the Company’s announcement dated 16 May 2012.

On 13 June 2012, the Company announced to implement a share consolidation on the basis that every five issued and unissued shares of HK\$0.01 each be consolidated into one consolidated share. The share consolidation was not yet completed up to the date of this announcement.

The Group has no other material event after the reporting period.

PROSPECTS

Despite the current condition of the world economy, the Company maintains a positive mid-to-longer outlook on the financial services sector and is optimistic that the financial market is enriched with opportunities. The Group will continue to focus on its principal business segments as well as explore and capture any investment opportunities that may arise in order to enhance shareholders' returns.

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

During the year, the Company repurchased one of its shares on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") and that share was subsequently cancelled by the Company:

Date of Repurchase	No. of shares Repurchased	Price per share	Total Consideration (excluding expenses) <i>HK\$</i>
7 February 2012 (cancelled on 9 February 2012)	1	0.051	0.051

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

AUDIT COMMITTEE

The Company has an Audit Committee which comprises four Independent Non-executive Directors. The Audit Committee has reviewed with the management of the Company, the accounting principles and practices adopted by the Group and financial reporting matters including the review of the consolidated financial statements of the Company for the year ended 31 March 2012.

CORPORATE GOVERNANCE

The Company has adopted the code provisions of the Code on Corporate Governance Practices (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 year:

- (a) Code Provision A.2 – Upon the resignation of Dr. Yang Fan Shing, Andrew, the former chairman of the Company on 19 September 2011, the Company currently does not have a chairman. The Company is still in the process of searching for an appropriate candidate both from within the Company as well as externally to act as the new chairman.

The Company has substantially adopted the Model Code set out in Appendix 10 to the Listing Rules as the code of conduct regarding securities transactions by the directors. Having made specific enquiry of all directors, the Company confirmed that all directors have complied with the required standard set out in the Model Code during the year.

PUBLICATION OF FINANCIAL INFORMATION

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

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

Hong Kong, 26 June 2012

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

Executive Directors:

Mr. Lo Kan Sun (*Managing Director*)
Mr. Hui Quincy Kwong Hei (*Managing Director*)
Ms. Au Shuk Yee, Sue
Mr. Scott Allen Phillips
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