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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 2011**

**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 2011 together with the unaudited comparative figures for 2010.

The interim results have been reviewed by the Company’s Audit Committee and external auditor in accordance with Hong Kong Standard on Review Engagement 2410, “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Hong Kong Institute of Certified Public Accountants.

**CONDENSED CONSOLIDATED INCOME STATEMENT***For the six months ended 30 September 2011*

		<b>For the six months ended</b>	
		<b>30 September</b>	
	<i>Notes</i>	<b>2011</b>	<b>2010</b>
		<b>(Unaudited)</b>	<b>(Unaudited)</b>
		<b>HK\$'000</b>	<b>HK\$'000</b>
<b>REVENUE</b>	4	<b>19,706</b>	42,448
Cost of sales		<u><b>(4,175)</b></u>	<u>(1,103)</u>
Gross profit		<b>15,531</b>	41,345
Other income and gains	4	<b>29,944</b>	103,219
Fair value losses on investments at fair value through profit or loss, net		<b>(431,303)</b>	(82,268)
General and administrative expenses		<b>(15,640)</b>	(57,359)
Other expenses		<b>(2,700)</b>	(16,837)
Finance costs	5	<b>(5,129)</b>	(28,781)
Share of profits of associates		<u><b>6,444</b></u>	<u>–</u>
<b>LOSS BEFORE TAX</b>	6	<b>(402,853)</b>	(40,681)
Income tax	7	<u><b>2,475</b></u>	<u>(2,149)</u>
<b>LOSS FOR THE PERIOD</b>		<u><b>(400,378)</b></u>	<u>(42,830)</u>
Attributable to:			
Owners of the Company		<b>(400,378)</b>	(76,296)
Non-controlling interests		<u>–</u>	<u>33,466</u>
		<u><b>(400,378)</b></u>	<u>(42,830)</u>
<b>LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY</b>	8		
Basic and diluted		<u><b>(8.49 HK cents)</b></u>	<u>(14.83 HK cents)</u>

## CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 September 2011

	For the six months ended 30 September	
	2011	2010
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
<b>LOSS FOR THE PERIOD</b>	<b><u>(400,378)</u></b>	<b><u>(42,830)</u></b>
<b>OTHER COMPREHENSIVE INCOME</b>		
Change in fair value of an available-for-sale investment	–	42,059
Gain on property revaluation	–	6,081
Share of other comprehensive income of an associate	4,313	–
Exchange differences on translation of foreign operations	8	(122)
Release of exchange fluctuation reserve upon disposal of subsidiaries	<u>(120)</u>	<u>–</u>
<b>OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX</b>	<b><u>4,201</u></b>	<b><u>48,018</u></b>
<b>TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD</b>	<b><u>(396,177)</u></b>	<b><u>5,188</u></b>
Attributable to:		
Owners of the Company	(396,177)	(48,622)
Non-controlling interests	<u>–</u>	<u>53,810</u>
	<b><u>(396,177)</u></b>	<b><u>5,188</u></b>

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

30 September 2011

	<i>Notes</i>	<b>30 September 2011 (Unaudited) HK\$'000</b>	31 March 2011 (Audited) HK\$'000
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment		4,127	33,908
Investment properties		–	140,854
Investment in an associate		1,041,572	779,489
Intangible asset		339	–
Available-for-sale investments		120,000	425,729
Loans receivable		–	2,000
Deposit paid for acquisition of an associate		–	20,000
		<hr/>	<hr/>
Total non-current assets		<b>1,166,038</b>	1,401,980
<b>CURRENT ASSETS</b>			
Accounts receivable	9	34,000	–
Loans receivable		12,119	28,125
Prepayments, deposits and other receivables		1,945	5,254
Investments at fair value through profit or loss		825,495	1,033,901
Cash and bank balances		305,240	382,624
		<hr/>	<hr/>
Total current assets		<b>1,178,799</b>	1,449,904
<b>CURRENT LIABILITIES</b>			
Accounts payable	10	21,619	–
Other payables and accruals		17,277	6,938
Interest-bearing bank and other borrowings		200,294	135,121
Tax payable		–	2,478
		<hr/>	<hr/>
Total current liabilities		<b>239,190</b>	144,537
<b>NET CURRENT ASSETS</b>		<b>939,609</b>	1,305,367
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>			
		<hr/> <b>2,105,647</b>	<hr/> 2,707,347

	<i>Notes</i>	<b>30 September 2011 (Unaudited) HK\$'000</b>	31 March 2011 (Audited) HK\$'000
<b>NON-CURRENT LIABILITIES</b>			
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		<b>2,105,647</b>	2,501,824
		<hr/> <hr/>	<hr/> <hr/>
<b>EQUITY</b>			
Equity attributable to owners of the Company			
Issued capital		471,370	471,370
Reserves		1,634,277	2,030,454
		<hr/>	<hr/>
Total equity		<b>2,105,647</b>	2,501,824
		<hr/> <hr/>	<hr/> <hr/>

# CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2011

	Attributable to owners of the Company													
	Equity component						Available-for-sale				Retained		Non-	Total equity
	Issued capital	Share premium account	of convertible notes	Share option reserve	Capital redemption reserve	Distributable reserve	Land and building revaluation reserve	Special reserve <sup>#</sup>	investment revaluation reserve	Exchange fluctuation reserve	profits/ losses	Total interests		
	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	
At 1 April 2010	38,135	424,859	45,263	-	485	895,331	35,131	-	8,764	8	80,246	1,528,222	512,788	
Profit/(loss) for the period	-	-	-	-	-	-	-	-	-	-	(76,296)	(76,296)	33,466	(42,830)
Other comprehensive income/(loss) for the period:														
Change in fair value of an available-for-sale investment	-	-	-	-	-	-	-	-	21,715	-	-	21,715	20,344	42,059
Gain on property revaluation	-	-	-	-	-	-	-	6,081	-	-	-	6,081	-	6,081
Exchange differences on translation of foreign operations	-	-	-	-	-	-	-	-	-	(122)	-	(122)	-	(122)
Total comprehensive income/(loss) for the period	-	-	-	-	-	-	-	6,081	21,715	(122)	(76,296)	(48,622)	53,810	5,188
Issue of share options	-	-	-	1,051	-	-	-	-	-	-	-	1,051	-	1,051
Exercise of share options	3,800	18,911	-	(1,051)	-	-	-	-	-	-	-	21,660	-	21,660
Issue of a convertible note	-	-	3,285	-	-	-	-	-	-	-	-	3,285	3,077	6,362
Redemption of a convertible note	-	-	(3,285)	-	-	-	-	-	-	-	1,132	(2,153)	(2,016)	(4,169)
Placing of new shares	17,540	47,855	-	-	-	-	-	-	-	-	-	65,395	-	65,395
Share issue expenses	-	(1,003)	-	-	-	-	-	-	-	-	-	(1,003)	-	(1,003)
At 30 September 2010	<u>59,475</u>	<u>490,622</u>	<u>45,263</u>	<u>-</u>	<u>485</u>	<u>895,331</u>	<u>35,131</u>	<u>6,081</u>	<u>30,479</u>	<u>(114)</u>	<u>5,082</u>	<u>1,567,835</u>	<u>567,659</u>	<u>2,135,494</u>
At 1 April 2011	<b>471,370</b>	<b>1,171,008</b>	-	-	<b>485</b>	<b>895,331</b>	<b>35,131</b>	<b>6,081</b>	<b>4,103</b>	<b>112</b>	<b>(81,797)</b>	<b>2,501,824</b>	-	<b>2,501,824</b>
Loss for the period	-	-	-	-	-	-	-	-	-	-	(400,378)	(400,378)	-	(400,378)
Other comprehensive income/(loss) for the period:														
Exchange differences on translation of foreign operations	-	-	-	-	-	-	-	-	-	8	-	8	-	8
Share of other comprehensive income of an associate	-	-	-	-	-	-	-	-	4,313	-	-	4,313	-	4,313
Release of exchange fluctuation reserve upon disposal of subsidiaries	-	-	-	-	-	-	-	-	-	(120)	-	(120)	-	(120)
Total comprehensive income/(loss) for the period	-	-	-	-	-	-	-	-	4,313	(112)	(400,378)	(396,177)	-	(396,177)
Disposal of subsidiaries	-	-	-	-	-	-	-	(6,081)	-	-	6,081	-	-	-
Transfer	-	-	-	-	-	(530,000)	-	-	-	-	530,000	-	-	-
At 30 September 2011	<u>471,370</u>	<u>1,171,008</u>	<u>-</u>	<u>-</u>	<u>485</u>	<u>365,331</u>	<u>35,131</u>	<u>-</u>	<u>8,416</u>	<u>-</u>	<u>53,906</u>	<u>2,105,647</u>	<u>-</u>	<u>2,105,647</u>

# The special reserve of the Group represents the difference between the aggregate amount of the share capital and share premium account of a company which was the former holding company of the Group and the nominal value of the Company's shares issued pursuant to the group reorganisation in 1992.

## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 September 2011

	For the six months ended 30 September	
	2011 (Unaudited) HK\$'000	2010 (Unaudited) HK\$'000
NET CASH FLOWS USED IN OPERATING ACTIVITIES	(150,657)	(76,456)
NET CASH FLOWS FROM INVESTING ACTIVITIES	138,400	43,666
NET CASH FLOWS FROM/(USED IN) FINANCING ACTIVITIES	<u>(65,137)</u>	<u>176,164</u>
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	(77,394)	143,374
Cash and cash equivalents at beginning of period	382,624	170,249
Effect of foreign exchange rate changes, net	<u>10</u>	<u>375</u>
CASH AND CASH EQUIVALENTS AT END OF PERIOD	<u><u>305,240</u></u>	<u><u>313,998</u></u>
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	<u><u>305,240</u></u>	<u><u>313,998</u></u>

# NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 September 2011

## 1. CORPORATE INFORMATION

Freeman Financial Corporation Limited is a limited liability company incorporated in the Cayman Islands. The principal place of business of the Company is located at Room 2302, 23rd Floor, China United Centre, 28 Marble Road, North Point, Hong Kong.

During the period, the Group was principally engaged in the trading of securities, provision of finance, property holding and investment, insurance brokerage business, securities brokerage and investment holding.

### 2.1 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 2011.

### 2.2 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 2011, 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 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>
Improvements to HKFRSs 2010	Amendments to a number of HKFRSs issued in May 2010



## **2.2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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.

## **3. OPERATING SEGMENT INFORMATION**

For management purposes, the Group is organised into business units based on their products and services and has six 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 property holding and investment segment engages primarily in the investments in commercial and residential properties for their rental income potential and/or their appreciation in values;
- (d) 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;
- (e) securities brokerage, placing, underwriting and margin financing in Hong Kong; and
- (f) the investment holding segment engages in holding investments for continuing strategic or long term purposes, primarily for their dividend income and capital appreciation.

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 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.

### 3. OPERATING SEGMENT INFORMATION (CONTINUED)

For the six months ended 30 September 2011

	Trading of securities <i>HK\$'000</i>	Provision of finance <i>HK\$'000</i>	Property holding and investment <i>HK\$'000</i>	Insurance brokerage business <i>HK\$'000</i>	Investment holding <i>HK\$'000</i>	Securities brokerage, placing, underwriting and margin financing <i>HK\$'000</i>	Total <i>HK\$'000</i>
<b>Segment revenue:</b>							
Sales to external customers	(1,925)	9,428	288	3,983	5,974	1,958	19,706
Intersegment sales	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	(1,925)	9,428	288	3,983	5,974	1,958	19,706
<i>Reconciliation:</i>							
Elimination of intersegment sales							<u>-</u>
Total revenue							<u><u>19,706</u></u>
<b>Segment results</b>	<b>(430,991)</b>	<b>8,835</b>	<b>235</b>	<b>(1,751)</b>	<b>8,349</b>	<b>1,277</b>	<b>(414,046)</b>
<i>Reconciliation:</i>							
Bank interest income							5
Other interest income							738
Gain on disposal of subsidiaries, net							24,164
Corporate and other unallocated expenses							(8,585)
Finance costs							<u>(5,129)</u>
Loss before tax							<u><u>(402,853)</u></u>

### 3. OPERATING SEGMENT INFORMATION (CONTINUED)

For the six months ended 30 September 2010

	Trading of securities <i>HK\$'000</i>	Provision of finance <i>HK\$'000</i>	Property holding and investment <i>HK\$'000</i>	Insurance brokerage business <i>HK\$'000</i>	Investment holding <i>HK\$'000</i>	Securities brokerage, placing, underwriting and margin financing <i>HK\$'000</i>	Total <i>HK\$'000</i>
<b>Segment revenue:</b>							
Sales to external customers	(42,064)	17,140	3,844	884	–	62,644	42,448
Intersegment sales	–	2,226	–	–	6,893	–	9,119
	(42,064)	19,366	3,844	884	6,893	62,644	51,567
<i>Reconciliation:</i>							
Elimination of intersegment sales							(9,119)
Total revenue							<u>42,448</u>
<b>Segment results</b>	(90,207)	2,319	8,630	(2,590)	(749)	74,231	(8,366)
<i>Reconciliation:</i>							
Bank interest income							30
Other interest income							487
Corporate and other unallocated expenses							(4,051)
Finance costs							<u>(28,781)</u>
Loss before tax							<u>(40,681)</u>

### 4. REVENUE, OTHER INCOME AND GAINS

Revenue, which is also the Group's turnover, 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; gross rental income received and receivable from investment properties; 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 period.

#### 4. REVENUE, OTHER INCOME AND GAINS (CONTINUED)

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

	For the six months ended	
	30 September	
	2011	2010
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
<b>Revenue</b>		
Interest income from provision of finance	9,428	17,140
Dividend income from investments at fair value through profit or loss	9,739	5,951
Dividend income from an available-for-sale investment	5,974	–
Losses from the sale of investments at fair value through profit or loss, net	(11,664)	(48,015)
Gross rental income	288	3,844
Insurance brokerage income	3,983	884
Commission and brokerage income from securities dealings	799	14,753
Commission from underwriting and placing services	845	24,089
Interest income on margin financing activities	314	23,802
	<u>19,706</u>	<u>42,448</u>
<b>Other income and gains</b>		
Bank interest income	5	30
Other interest income	738	487
Gain on disposal of subsidiaries, net	24,164	–
Gain on deemed partial disposals and acquisition of additional interest in an associate, net	1,501	–
Reversal of a loan receivable previously written off	–	100,000
Others	3,536	2,702
	<u>29,944</u>	<u>103,219</u>

## 5. FINANCE COSTS

An analysis of finance costs is as follows:

	For the six months ended 30 September	
	2011 (Unaudited) HK\$'000	2010 (Unaudited) HK\$'000
Interests on bank loans, overdrafts and other loans wholly repayable within five years or on demand	5,129	8,542
Convertible notes	–	20,239
Total finance costs	<u>5,129</u>	<u>28,781</u>

## 6. LOSS BEFORE TAX

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

	For the six months ended 30 September	
	2011 (Unaudited) HK\$'000	2010 (Unaudited) HK\$'000
Depreciation	445	5,176
Employee benefit expenses (excluding directors' remuneration):		
Wages, salaries and allowances	3,596	12,872
Retirement benefit scheme contributions (defined contribution schemes)	91	712
	<u>3,687</u>	<u>13,584</u>
Loss/(gain) on disposal of subsidiaries, net	(24,164)	1,680*
Loss on redemption of a convertible note	–	1,885*
Impairment of accounts receivable	–	12,812*
	<u>–</u>	<u>12,812*</u>

\* *These balances were included in "Other expenses" in the condensed consolidated income statement.*

## 7. INCOME TAX

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. In the prior period, Hong Kong profits tax was provided at the rate of 16.5% on the estimated assessable profits arising in Hong Kong during that period.

	For the six months ended	
	30 September	
	2011	2010
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Current – Hong Kong		
Charge for the period	–	3,048
Over-provision in prior year	(2,475)	–
Deferred	–	(899)
	<hr/>	<hr/>
Total tax charge/(credit) for the period	<u>(2,475)</u>	<u>2,149</u>

The share of tax attributable to associates amounting to HK\$3,493,000 (period ended 30 September 2010: Nil) is included in “Share of profits of associates” in the condensed consolidated income statement.

## 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\$400,378,000 (period ended 30 September 2010: loss of HK\$76,296,000), and the weighted average number of 4,713,701,431 ordinary shares in issue during the period (period ended 30 September 2010: 514,441,000).

### (b) Diluted loss per share

The Group had no dilutive potential ordinary shares in issue during the period ended 30 September 2011.

No adjustment was made to the basic loss per share amount presented for the period ended 30 September 2010 in respect of a dilution as the convertible notes outstanding during that period had an anti-dilutive effect on the basic loss per share and the exercise price of the share options of the Company outstanding during that period was higher than the average market price of the Company's ordinary shares.

## 9. ACCOUNTS RECEIVABLE

	<b>30 September 2011 (Unaudited) HK\$'000</b>	31 March 2011 (Audited) HK\$'000
Accounts receivable arising from the ordinary course of business of dealing in securities:		
Clearing houses	461	–
Cash clients	174	–
Margin clients	<u>33,365</u>	<u>–</u>
	<u><b>34,000</b></u>	<u><b>–</b></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.

## 10. ACCOUNTS PAYABLE

Accounts payable are aged within 30 days.

## 11. PLEDGE OF ASSETS

At 30 September 2011, investments held for trading of HK\$825,495,000 (31 March 2011: HK\$1,033,901,000) were pledged to certain financial institutions to secure certain margin financing facilities provided to the Group.

At 31 March 2011, leasehold land and buildings and investment properties with carrying amounts of approximately HK\$23,271,000 and HK\$140,854,000, respectively, were also pledged to secure general banking facilities granted to the Group.

## 12. CONTINGENT LIABILITIES

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

	<b>30 September 2011 (Unaudited) HK\$'000</b>	31 March 2011 (Audited) HK\$'000
Guarantees given to banks in connection with facilities granted to entities owned by the Group's available-for-sale investment	<b><u>85,141</u></b>	<u>–</u>

As at 30 September 2011, 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\$67,119,000 (31 March 2011: Nil).

## 13. EVENTS AFTER THE REPORTING PERIOD

The following significant events of the Group occurred after the end of the reporting period:

- (a) On 30 September 2011, the Company entered into a subscription agreement with Willie International Holdings Limited ("Willie"), a limited liability company incorporated in Hong Kong with its shares listed on The Stock Exchange of Hong Kong Limited and an independent third party, pursuant to which (i) the Company has agreed to subscribe for 128,212,678 new shares of Willie (as adjusted for Willie's capital reorganisation) at a total consideration of HK\$48,079,755; and (ii) the Company has agreed to issue 188,548,057 new shares of the Company (as adjusted for the Company's capital reorganisation) to Willie for a total consideration of HK\$48,079,755 under special mandate. Further details of the subscription and issue of shares are set out in the Company's announcements dated 3 October 2011 and 10 October 2011.

Upon the successful completion of the subscription and issue of shares, the Group is expected to hold approximately 22.91% equity interest in Willie, while Willie is expected to hold approximately 18.59% equity interest in the Company. The completion of the subscription and issue of shares is still subject to the satisfaction of a number of conditions precedents and the Group is in the process of assessing the financial impact of the transaction as of the date of approval of these condensed consolidated financial statements.

- (b) During the current reporting period, the Group entered into the subscription agreement with Global Wealthy International Limited ("Global Wealthy"), pursuant to which a subsidiary of the Company has agreed to issue 15,000,000 new shares, representing approximately 8.8% of the enlarged share capital of the subsidiary, to Global Wealthy at a cash consideration of HK\$15,000,000. The transaction was completed in October 2011.



## **INTERIM DIVIDEND**

The Directors do not recommend the payment of an interim dividend for the six months ended 30 September 2011 (2010: Nil).

## **BUSINESS REVIEW**

The Group's consolidated net loss for the period was approximately HK\$400.4 million (2010: HK\$42.8 million). The consolidated net assets of the Group decreased from HK\$2,501.8 million as at 31 March 2011 to approximately HK\$2,105.6 million as at 30 September 2011. The consolidated net loss was mainly attributed to the significant realised and unrealised loss from securities trading business.

During the six months ended 30 September 2011, the Group acquired 100% interest in Freeman Securities Limited (formerly known as Dynasty Securities Limited), a private limited company incorporated in Hong Kong with principal activities in the provision of securities brokerage services to diversify the business arms of this segment. Interest income from provision of finance decreased during the period as the business of provision of finance became more competitive as a result of treasury funds overflowing from sizeable banks and other financial institutions. No material impairment was recorded at the balance sheet date. The Company will continue to monitor its operations overlooking the financial markets conditions.

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 period. Future Master and its direct subsidiaries (collectively referred to as "Future Master Group") mainly held investment properties and buildings of the Group. Upon the completion of the disposal of Future Master Group, the Group resulted a net gain of approximately HK\$23.9 million for the period.

The Group disposed of its entire interest in Freeman Investment Services Limited ("FISL"), a wholly owned subsidiary of the Company at a consideration of approximately HK\$0.8 million during the period. FISL and its direct subsidiaries (collectively referred to as "FISL Group") mainly conducted insurance brokerage business. Upon the completion of the disposal of FISL Group, the Group resulted a net gain of approximately HK\$0.5 million for the period.

The Group acquired a convertible note of Hennabun Capital Group Limited ("Hennabun"), an associate of the Group, at a consideration of HK\$250 million during the period. This convertible note was fully converted into shares of Hennabun during the period and accordingly the Group's interest in Hennabun was increased to approximately 32.26% as at 30 September 2011.

## FINANCIAL REVIEW

The Group's turnover decreased by 53.5% to HK\$19.7 million compared to HK\$42.4 million for the same period in 2010. Income from trading of securities recorded a net loss of HK\$11.7 million, representing a decrease of 75.6% compared to HK\$48.0 million as certain listed securities were sold based on the market sentiment. Dividend income increased to HK\$15.7 million compared to HK\$6.0 million for the same period in 2010, it was mainly due to more dividend income was received by the Group from investments in Liu's Holdings Limited as well as other listed securities. Interest income from provision of finance decreased by 45% to HK\$9.4 million compared to HK\$17.1 million in 2010 as a result of a more competitive market condition of loan financing business. Rental income decreased to HK\$0.3 million, representing a decrease of 92.1% compared to HK\$3.8 million for the same period in 2010 as a result of the disposal of Future Master Group during the period. Insurance brokerage income increased by 344.4% to HK\$4.0 million compared to HK\$0.9 million as a result of the increase in the number of insurance policies during the period. Income from financial services, such as securities brokerage, placing services, underwriting and margin financing services, was approximately HK\$2.0 million compared to HK\$62.6 million for the same period in 2010.

The Group's gross profit for the six months ended 30 September 2011 was HK\$15.5 million (2010: HK\$41.3 million), representing an decrease of 62.5% as compared to the same period in 2010. It was mainly due to the decrease in income from provision of finance and commission income from financial services.

The Group recorded a significant unrealised fair value loss on securities held for trading of HK\$431.3 million (2010: HK\$82.3 million). General and administrative expenses decreased to HK\$15.6 million from HK\$57.4 million, representing a decrease of 72.8% as compared to the same period in 2010.

Other income and gains mainly included net gain on disposal of subsidiaries of HK\$24.2 million and net gain on changes in shareholding in an associate of HK\$1.5 million for the period and no such income was noted for the same period of 2010. Share of profits of associates of HK\$6.4 million was recorded for the period. Finance costs decreased by 82.3% to HK\$5.1 million from HK\$28.8 million compared to the same period in 2010. The decrease in income from financing services, general and administrative expenses and finance costs was mainly due to the de-consolidation of Hennabun since December 2010. The net loss attributable to shareholders of the Company was HK\$400.4 million (2010: HK\$76.3 million) which was mainly attributed to the significant realised and unrealised loss on investments held for trading.

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

At 30 September 2011, net current assets of the Group amounted to HK\$939.6 million (31 March 2011: HK\$1,305.4 million) with cash and bank balances of HK\$305.2 million (31 March 2011: HK\$382.6 million). The Group had no secured bank loans (31 March 2011: HK\$69.7 million) and had secured and unsecured other borrowings of HK\$200.3 million (31 March 2011: HK\$265.4 million). Gearing ratio calculated on the basis of the Group's total borrowings over shareholders' funds was 9.5% (31 March 2011: 13.4%). The bank loans and other borrowings of the Group carried floating interest rates calculated by reference to the Hong Kong dollar prime rate (as quoted by The Bank of East Asia, Limited, Bank of Communications Co., Ltd or The Hongkong and Shanghai Banking Corporation Limited) or lender's cost of fund were made in Hong Kong dollar.

Except for the potential subscription of shares in Willie (details of the subscription and issue of shares were disclosed in the Company's announcements dated 3 October 2011 and 10 October 2011), the Group has no material capital commitment as at 30 September 2011 (31 March 2011: Nil). In light of the amount of liquid assets in 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. At 30 September 2011, the Group had shareholders' funds of approximately HK\$2,105.6 million (31 March 2011: HK\$2,501.8 million).

## **CAPITAL REORGANISATION**

On 3 October 2011, the Company announced that a proposed capital reorganisation is undergoing which includes share consolidation of every five shares into one adjusted share and capital reduction. Up to the date of this report, the proposed capital reorganisation has not yet completed. More details of the proposed capital reorganisation were disclosed in the Company's announcements dated 3 October 2011 and 10 October 2011.

## **CONTINGENT LIABILITIES**

As at 30 September 2011, 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\$67.1 million (31 March 2011: Nil).

## **PROSPECTS**

With the diversification of the business arms in the securities brokerage segment, the Group remains optimistic about the prospect of the financial market. The Group looks forward to completing its transaction with Willie as announced by the Company on 3 October 2011. In addition, the Group continues to actively explore various means to strengthen and broaden its focus on the financial services sector. Initiatives being explored include: (i) making investments with a view to engage in the provision of fund management, investment advisory and/or corporate finance advisory services, as well as (ii) continuing the insurance brokerage business and widening its scope to include financial planning and related services. Looking ahead, the Group will strive for potential business and investment opportunities as to provide long-term benefits to the Company's shareholders.

## **EMPLOYEES AND REMUNERATION POLICY**

As at 30 September 2011, the Group employed about 30 staff members including directors of the Company. Staff costs incurred for the period, including directors' remuneration, was approximately HK\$6.3 million (2010: HK\$16.1 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.

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

The Company had not redeemed any of its shares during the period. Neither the Company nor any of its subsidiaries had purchased or sold any shares during the period.

## **AUDIT COMMITTEE**

The condensed consolidated results of the Company for the six months ended 30 September 2011 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 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 six months ended 30 September 2011:

- (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 in respect of the six months ended 30 September 2011, all directors have complied with the required standard set out in the Model Code.

## **PUBLICATION OF FINANCIAL INFORMATION**

This results announcement is published on the web sites of the Stock Exchange ([www.hkex.com.hk](http://www.hkex.com.hk)) and the Company ([www.freeman279.com](http://www.freeman279.com)). The Group’s Interim Financial Report for 2011 will be despatched to the shareholders of the Company and available on the above web sites in due course.

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

Hong Kong, 25 November 2011

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. Yau Chung Hong  
Mr. Gary Drew Douglas  
Mr. Peter Temple Whitlam  
Dr. Agustin V. Que