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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 - SUBSCRIPTION OF SHARES IN WILLIE INTERNATIONAL HOLDINGS LIMITED**

### **(2) ISSUE OF SHARES TO WILLIE INTERNATIONAL HOLDINGS LIMITED UNDER SPECIFIC MANDATE**

### **(3) PROPOSED CAPITAL REORGANISATION AND CHANGE IN BOARD LOT SIZE**

### **(4) DECLINE IN THE CARRYING VALUE OF SECURITIES INVESTMENT PORTFOLIO**

**AND**

### **(5) RESUMPTION OF TRADING**

On 30 September 2011, the Company and Willie entered into the Subscription Agreement pursuant to which, subject to the fulfillment of certain conditions, the parties have agreed amongst other things as follows:-

- (i) the Company agreed to subscribe for Willie Subscription Shares (641,063,394 new Willie Shares, or 128,212,678 new Willie Adjusted Shares upon completion of the Willie Capital Reorganisation, representing approximately 23.54% of the entire issued share capital of Willie as at the date of this announcement) in Willie for a total consideration of HK\$48,079,754.55; and
- (ii) the Company agreed to issue 188,548,057 Freeman Subscription Shares (equivalent to 942,740,285 Shares prior to the Capital Reorganisation) and representing approximately 20% of the entire issued share capital of the Company as at the date of this announcement) to Willie or as it may direct for a total consideration of HK\$48,079,754.55 under the Specific Mandate.

The Proposed Subscription and the Proposed Issue are not inter-conditional with each other.

Immediately after completion of the Proposed Subscription and the Proposed Issue, assuming no other changes in the issued share capital and shareholding in the Company or Willie, respectively, from the date of this announcement:-

- (i) after taking into account the 130,000,000 Willie Shares currently held by the Group representing approximately 4.77% of the existing issued share capital of Willie, the Company will hold approximately 22.91% interest in Willie as enlarged by the Willie Subscription Shares that fall to be issued pursuant to the Subscription Agreement; and
- (ii) after taking into account the 108,975,000 Shares currently held by the Willie Group in the Company representing approximately 2.31% of the existing issued share capital of the Company, Willie will hold approximately 18.59% interest in the Company as enlarged by the Freeman Subscription Shares that fall to be issued pursuant to the Subscription Agreement.

**As completion of the Proposed Subscription and the Proposed Issue are subject to the satisfaction of a number of conditions precedents under the Subscription Agreement, the Proposed Subscription and the Proposed Issue may or may not proceed. Shareholders and potential investors are advised to exercise caution when dealing in the Shares.**

#### **PROPOSED CAPITAL REORGANISATION AND CHANGE IN BOARD LOT SIZE**

As completion of the Proposed Issue is conditional upon, amongst other things, the Capital Reorganisation becoming effective, the Company proposes to effect the Capital Reorganisation comprising:-

- (i) the proposed Share Consolidation whereby every five (5) issued Shares of par value of HK\$0.10 each will be consolidated into one Consolidated Share of par value of HK\$0.50 each;
- (ii) immediately following the Share Consolidation, the nominal value of each issued Consolidated Share will be reduced from par value of HK\$0.50 each to par value of HK\$0.01 each by cancellation of the paid-up capital to the extent of HK\$0.49 on each issued Consolidated Share;
- (iii) the credit arising from such capital reduction described in paragraph (ii) above will be applied to set-off the accumulated deficit of the Company and the balance (if any) will be transferred to a distributable reserve called the distributable capital reduction reserve account or other reserve account of the Company; and
- (iv) following the Adjustment Proposal, the proposed Share Subdivision whereby each authorised but unissued Share of par value of HK\$0.10 each will be subdivided into ten (10) Adjusted Shares of par value of HK\$0.01 each.

The Capital Reorganisation is conditional upon, inter alia, the approval of the Capital Reorganisation by the Shareholders at the EGM and approval of the Adjustment Proposal by the Court.

The Company also proposes to change the board lot size of the Shares for trading on the Stock Exchange from 5,000 Shares to 10,000 Adjusted Shares upon the Capital Reorganisation becoming effective.

The expected timetable for the implementation of the Capital Reorganisation and the Change in Board Lot Size is set out below.

### **LISTING RULES IMPLICATION**

As the relevant percentage ratios under Rule 14.07 of the Listing Rules in respect of the Proposed Subscription exceed 5% but are not more than 25%, the Proposed Subscription constitutes a discloseable transaction for the Company under Chapter 14 of the Listing Rules.

### **EGM**

An EGM will be convened and held for the Shareholders to consider and, if thought fit, pass the relevant resolutions to approve the Capital Reorganisation and the Proposed Issue (including the grant of the Specific Mandate).

As at the date hereof, Willie Group holds 108,975,000 Shares, representing approximately 2.31% of the existing issued share capital of the Company. As Willie is a party to the Subscription Agreement, it has a material interest in the Proposed Issue. Willie and its associates, to the extent they hold Shares at the EGM, will be required to abstain from voting at the EGM on the resolution proposed to approve Proposed Issue (including the grant of the Specific Mandate).

### **GENERAL**

The Circular containing details of the Capital Reorganisation and the Proposed Issue and a notice convening the EGM to approve the Capital Reorganisation and the Proposed Issue are expected to be despatched to Shareholders on or before 1 November 2011.

An application will be made by the Company to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Freeman Subscription Shares and the Adjusted Shares.

### **DECLINE IN THE CARRYING VALUE OF SECURITIES INVESTMENT PORTFOLIO**

In view of the recent economic developments in Hong Kong and elsewhere, volatility in the global securities market, significant declines in stock market values, and a general deterioration in economic confidence, the preliminary review of the performance of the Group's securities investment portfolio conducted as of the end of the third quarter of 2011 shows a significant decline in the carrying value of the Group's securities investment portfolio as of 30 September 2011. As a result, in respect of the Group's trading of securities business, the Group is expected to record a significant unrealized loss on investments held for trading for the six-month period ended 30 September 2011. Despite the above, the Group is not in any way forced to liquidate its securities investment portfolio, and the cash position, liquidity and financial position of the Group remain healthy.

The Company is in the process of preparing management accounts of the Group for the six months ended 30 September 2011, and will make further announcement(s) if required on the overall financial performance of the Group for that period.

**Shareholders and potential investors are advised to exercise caution when dealing in the Shares.**

### **RESUMPTION OF TRADING**

At the request of the Company, trading in the Shares of the Company was suspended with effect from 9:30 a.m. on 30 September 2011 pending the release of this announcement. Application has been made by the Company to the Stock Exchange for the resumption of trading in the Shares of the Company with effect from 9 a.m. on 4 October 2011.

### **THE PROPOSED SUBSCRIPTION AND THE PROPOSED ISSUE**

On 30 September 2011, the Company and Willie entered into the Subscription Agreement pursuant to which, subject to the fulfillment of certain conditions, the parties have agreed amongst other things as follows:-

- (i) the Company agreed to subscribe for the Willie Subscription Shares (641,063,394 new Willie Shares, or 128,212,678 new Willie Adjusted Shares upon completion of the Willie Capital Reorganisation) in Willie for a total consideration of HK\$48,079,754.55 (the “Proposed Subscription”); and
- (ii) the Company agreed to issue 188,548,057 Freeman Subscription Shares to Willie or as it may direct for a total consideration of HK\$48,079,754.55 (the “Proposed Issue”) under the Specific Mandate.

The Proposed Subscription and the Proposed Issue are not inter-conditional with each other.

To the best of the knowledge, information and belief of the Directors, having made all reasonable enquiries, save as disclosed herein, Willie is a third party independent of the Company and its connected persons. In addition, as at the date of this announcement:-

- (a) the Group holds 130,000,000 Willie Shares, representing approximately 4.77% of the entire issued share capital of Willie;
- (b) Andrew Liu, a director of the Company, indirectly holds 37,926,000 Willie Shares, representing approximately 1.39% of the entire issued share capital of Willie;
- (c) Willie Group holds 108,975,000 Shares, representing approximately 2.31% of the entire issued share capital of the Company; and
- (d) Wong Ying Seung Asiong, a director of Willie, holds 1,195,000 Shares, representing approximately 0.03% of the entire issued share capital of the Company.

## **PROPOSED SUBSCRIPTION OF WILLIE SUBSCRIPTION SHARES BY THE COMPANY**

Pursuant to the Subscription Agreement, Freeman has agreed to subscribe, and Willie has agreed to issue and allot to the Company or as it may direct, Willie Subscription Shares (641,063,394 new Willie Shares, or 128,212,678 new Willie Adjusted Shares upon completion of the Willie Capital Reorganisation), which represents approximately 23.54% of the entire issued share capital of Willie as at the date of this announcement, or approximately 19.05% of the entire issued share capital of Willie as enlarged by the Willie Subscription Shares that fall to be issued pursuant to the Subscription Agreement. After taking into account the 130,000,000 Willie Shares currently held by the Group (representing approximately 4.77% of the existing issued share capital of Willie), and assuming there are no other changes in the issued share capital and shareholding in Willie from the date of this announcement, the Company will hold approximately 22.91% interest in Willie as enlarged by the Willie Subscription Shares that fall to be issued pursuant to the Subscription Agreement.

The Willie Subscription Shares, when issued, shall rank *pari passu* in all respects *inter se* and with all other Willie Shares or Willie Adjusted Shares (as the case may be) in issue as at completion of the Proposed Subscription.

### **Consideration for the Willie Subscription Shares**

The total consideration of HK\$48,079,754.55 for the Proposed Subscription will be payable by the Company to Willie by way of a cheque on completion of the Proposed Subscription.

The subscription price of HK\$0.075 per Willie Subscription Share (or of approximately HK\$0.375 per Willie Subscription Share post-completion of the Willie Capital Reorganisation) represents:

- (i) the closing price of HK\$0.075 per Willie Share as quoted on the Stock Exchange on the Last Trading Day; and
- (ii) a discount of approximately 2.1% to the average closing price of approximately HK\$0.0766 per Willie Share as quoted on the Stock Exchange for the last five consecutive trading days up to and including the Last Trading Day.

The subscription price for the Willie Subscription Shares was determined after arm's length negotiation between the Company and Willie. The subscription price payable by the Company to Willie represents an approximate 90.4% discount to the unaudited consolidated net asset value per share of Willie Group as at 30 June 2011. As disclosed under the section headed "Decline in the Carrying Value of Securities Investment Portfolio" below, the Company has been informed that the carrying value of the securities investment portfolio of the Willie Group has declined since its last reporting date. Nonetheless, the Company believes that the 90.4% discount mentioned above creates a sufficiently large buffer as compared with the subscription price of the Proposed Subscription. The subscription price for the Willie Subscription Shares was also determined by reference to the recent trading performance of the Willie Shares. The Directors consider that the terms of the Proposed Subscription are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

The Company intends to fund the Proposed Subscription from internal resources (if the Proposed Issue is completed after the Proposed Subscription) or from the proceeds from the Proposed Issue (if the Proposed Issue is completed before the Proposed Subscription).

### **Conditions of the Proposed Subscription**

The obligation of the Company to effect the Proposed Subscription is conditional upon, among other things, the following conditions precedent:-

- (i) the approval of a specific mandate to issue and allot the Willie Subscription Shares by shareholders of Willie in a general meeting in accordance with the Listing Rules;
- (ii) the Listing Committee of the Stock Exchange granting the listing of, and permission to deal in the Willie Subscription Shares;
- (iii) compliance with all the necessary requirements under the Listing Rules for the issue and allotment of the Willie Subscription Shares by Willie; and
- (iv) all requisite consents, licences and approvals from the relevant third parties (including regulatory authorities in Hong Kong and elsewhere) for the execution of the Subscription Agreement and completion of the transactions contemplated under the Subscription Agreement by Willie having been obtained.

If the Willie Conditions have not been fulfilled on or before 4:00 p.m. on 31 March 2012 (or such other date as the parties may agree in writing), Willie's obligation to issue the Willie Subscription Shares shall terminate whereupon Willie shall have no further obligations to issue and allot the Willie Subscription Shares to the Company and the parties shall not have any further claims against each other under the Subscription Agreement in respect of the Willie Subscription Shares for costs, damages, compensation or otherwise, save in respect of antecedent breaches and claims.

### **Completion of the Proposed Subscription**

Completion of the Proposed Subscription shall take place on the next Business Day after all of the Willie Conditions have been satisfied (or any other time as the Company and Willie may agree).

### **PROPOSED ISSUE OF FREEMAN SUBSCRIPTION SHARES TO WILLIE UNDER SPECIFIC MANDATE**

Pursuant to the Subscription Agreement, Willie has agreed to subscribe, and the Company has agreed to issue and allot to Willie or as it may direct, 188,548,057 Freeman Subscription Shares, which represents approximately 20% of the entire issued share capital of the Company as at the date of this announcement, or approximately 16.67% of the entire issued share capital of the Company as enlarged by the Freeman Subscription Shares that fall to be issued pursuant to the Subscription Agreement. After taking into account the 108,975,000 Shares currently held by the Willie Group in the Company (representing approximately 2.31% of the existing issued share

capital of the Company), and assuming there are no other changes in the issued share capital and shareholding in the Company from the date of this announcement, Willie will hold approximately 18.59% interest in the Company as enlarged by the Freeman Subscription Shares that fall to be issued pursuant to the Subscription Agreement.

The Freeman Subscription Shares, when issued, shall rank *pari passu* in all respects *inter se* and with all other Adjusted Shares in issue as at completion of the Proposed Issue.

The aggregate nominal value of the 188,548,057 Freeman Subscription Shares of HK\$0.01 per Adjusted Share is HK\$1,885,480.57.

### **Consideration for the Freeman Subscription Shares**

The total consideration of HK\$48,079,754.55 for the Proposed Issue will be payable by Willie to the Company by cheque on completion of the Proposed Issue.

The subscription price of HK\$0.255 per Freeman Subscription Share (equivalent to HK\$0.051 per Share) represents:

- (i) a discount of approximately 15% to the closing price of HK\$0.060 per Share as quoted on the Stock Exchange on the Last Trading Day; and
- (ii) a premium of approximately 3.2% over the average closing price of approximately HK\$0.0494 per Share as quoted on the Stock Exchange for the last five consecutive trading days up to and including the Last Trading Day.

The subscription price for the Freeman Subscription Shares was determined after arm's length negotiation between the Company and Willie. The subscription price payable by Willie to the Company represents an approximate 90.4% discount to the audited consolidated net asset value per share of the Group as at 31 March 2011. As disclosed under the section headed "Decline in the Carrying Value of Securities Investment Portfolio" below, the carrying value of the securities investment portfolio of the Group as of 30 September 2011 has declined, and this will serve to reduce the level of discount mentioned above. The subscription price for the Freeman Subscription Shares was also determined by reference to the recent trading performance of the Shares. The Directors consider that the terms of the Proposed Issue are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

The gross proceeds from the Proposed Issue will be approximately HK\$48.1 million. The net proceeds from the Proposed Issue will amount to approximately HK\$47.2 million. The net proceeds raised per Freeman Subscription Share upon the completion of the Proposed Issue will be approximately HK\$0.25.

The Company intends to apply the proceeds of the Proposed Issue, (if the Proposed Issue is completed before the Proposed Subscription) to satisfy the consideration payable by the Company under the Proposed Subscription, or (if the Proposed Issue is completed after the Proposed Subscription) to replenish the working capital used by the Company for the Proposed Subscription.

## **Conditions of the Proposed Issue**

The obligation of the Company to effect the Proposed Issue is conditional upon, among other things, the following conditions precedent:-

- (i) the passing of a special resolution to approve the Capital Reorganisation by the Shareholders of the Company at an extraordinary general meeting;
- (ii) the passing of a resolution to approve a specific mandate to issue and allot the Freeman Subscription Shares to Willie by Shareholders of the Company at an extraordinary general meeting;
- (iii) approval of the Adjustment Proposal to the extent required by the Court;
- (iv) the Capital Reorganisation having become effective, and compliance with any conditions imposed by the Court on the Adjustment Proposal;
- (v) the Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, (a) the Adjusted Shares in issue upon the Capital Reorganisation becoming effective and (b) the Freeman Subscription Shares;
- (vi) compliance with all the necessary requirements under the Listing Rules for completion of the transactions contemplated under the Subscription Agreement by the Company; and
- (vii) all requisite consents, licences and approvals from the relevant third parties (including regulatory authorities in the Cayman Islands or Hong Kong and elsewhere) for the execution of the Subscription Agreement and completion of the transactions contemplated under the Subscription Agreement by the Company having been obtained.

If the Freeman Conditions have not been fulfilled on or before 4:00 p.m. on 31 March 2012 (or such other date as the parties may agree in writing), the Company's obligation to issue the Freeman Subscription Shares shall terminate whereupon the Company shall have no further obligations to issue and allot the Freeman Subscription Shares to Willie and the parties shall not have any further claims against each other under the Subscription Agreement in respect of the Freeman Subscription Shares for costs, damages, compensation or otherwise, save in respect of antecedent breaches and claims.

## **Specific Mandate to issue the Freeman Subscription Shares**

The Freeman Subscription Shares will be issued and allotted under the Specific Mandate to be sought at the EGM.

## **Completion of the Proposed Issue**

Completion of the Proposed Issue shall take place on the next Business Day after all of the Freeman Conditions have been satisfied (or any other time as the Company and Willie may agree).

## **Other terms of the Subscription Agreement**

The Company and Willie have agreed that no director will be nominated by one party to the Subscription Agreement to serve on the board of directors of the other party upon the issuance and allotment of the Freeman Subscription Shares or Willie Subscription Shares (as the case may be). Both parties to the Subscription Agreement have represented, warranted and undertaken to the other in the Subscription Agreement that each party does not intend to gain control or exert significant influence over the other but instead intends to hold the Freeman Subscription Shares or the Willie Subscription Shares (as the case may be) as a passive security investment.

## **Application for listing**

An application will be made to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the new Freeman Subscription Shares to be issued pursuant to the Proposed Issue.

## **PROPOSED CAPITAL REORGANISATION**

As completion of the Proposed Issue is conditional upon, amongst other things, the Capital Reorganisation becoming effective, the Company proposes to effect the Capital Reorganisation comprising:-

- (i) the proposed Share Consolidation whereby every five (5) issued Shares of par value of HK\$0.10 each will be consolidated into one Consolidated Share of par value of HK\$0.50 each;
- (ii) immediately following the Share Consolidation, the nominal value of each issued Consolidated Share will be reduced from par value of HK\$0.50 each to par value of HK\$0.01 each by cancellation of the paid-up capital to the extent of HK\$0.49 on each issued Consolidated Share;
- (iii) the credit arising from such capital reduction described in paragraph (ii) above will be applied to set-off the accumulated deficit of the Company and the balance (if any) will be transferred to a distributable reserve called the distributable capital reduction reserve account or other reserve account of the Company; and
- (iv) following the Adjustment Proposal, the proposed Share Subdivision whereby each authorised but unissued Share of par value of HK\$0.10 each will be subdivided into ten (10) Adjusted Shares of par value of HK\$0.01 each.

The steps referred to above in paragraphs (ii) and (iii) are referred to as the Adjustment Proposal.

The Capital Reorganisation (which will be effected in accordance with the Articles of Association of the Company and the Companies Law) is conditional upon:-

- (i) the passing of a special resolution to approve the Capital Reorganisation by Shareholders at the EGM;
- (ii) sanctioning of the Adjustment Proposal by the Court;
- (iii) compliance with any conditions imposed by the Court; and
- (iv) the Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, the Adjusted Shares in issue upon the Capital Reorganisation becoming effective.

No Shareholder is required to abstain from voting on the Capital Reorganisation at the EGM.

There are no warrants or other securities convertible into or giving rights to subscribe for the Shares.

Application will be made by the Company to the Listing Committee of the Stock Exchange for listing of, and permission to deal in, the Adjusted Shares and any Adjusted Shares which may be issued pursuant to the exercise of options that may be granted under the share option scheme of the Company adopted on 23 August 2002.

The share capital of the Company consists of 4,713,701,431 Shares in issue and the aggregate nominal value of the issued share capital of the Company is approximately HK\$471.37 million. On the basis of 4,713,701,431 Shares in issue as at the date of this announcement (assuming no Shares are issued from the date hereof until the effective date of the Capital Reorganisation), a total credit of approximately HK\$461.94 million will arise in the books of the Company as a result of the Adjustment Proposal which will be applied to set off any accumulated deficit of the Company at the relevant time with the balance (if any) to be transferred to a distributable reserve called the distributable capital reduction reserve account or other reserve account of the Company.

After the Capital Reorganisation, the authorised share capital of the Company will remain as HK\$5,000,000,000 divided into of 500,000,000,000 Adjusted Shares of HK\$0.01 each, of which approximately 942,740,286 Adjusted Shares will be in issue and the aggregate nominal value of the issued share capital of the Company will become approximately HK\$9.43 million (assuming no Shares are issued from the date hereof until the effective date of the Capital Reorganisation).

Fractional Adjusted Shares will not be issued to the Shareholders but will be aggregated and, if possible, sold for the benefit of the Company.

In order to alleviate the difficulties arising from the existence of odd lots of Adjusted Shares, the Company has appointed Freeman Securities Limited as an agent to provide matching services for the sale and purchase of odd lots of Adjusted Shares arising from the Capital Reorganisation and the Change in Board Lot Size. Shareholders who wish to take advantage of this facility should contact Ms. May Hong of Freeman Securities Limited at Room 1601, 16/F., China United Centre, 28 Marble Road, North Point, Hong Kong at telephone number (852) 3513 8002 during office hours. Shareholders should note that successful matching of the sale and purchase of odd lots of the Adjusted Shares is not guaranteed.

## **Effect of the Capital Reorganisation**

Implementation of the Capital Reorganisation would not, of itself, alter the underlying assets, liabilities, businesses, management or financial position of the Company and the Group or the rights of the Shareholders, except for payment of the related expenses and any fractional Adjusted Shares to which Shareholders may be entitled.

The Adjusted Shares will rank *pari passu* in all respects with each other and the Capital Reorganisation will not result in any change in the relative rights of the Shareholders.

## **Free exchange of Adjusted Share certificates and trading arrangements**

Subject to the Capital Reorganisation, Shareholders may, during a period to be specified in a further announcement to be made by the Company, submit certificates for Shares to the Company's registrar for exchange, at the expense of the Company, for certificates for Adjusted Shares. Thereafter, certificates for Shares will be accepted for exchange only on payment of a fee of HK\$2.50 (or such other amount as may from time to time be allowed by the Stock Exchange) for each new certificate issued for Adjusted Shares.

Nevertheless, certificates for Shares will continue to be good evidence of legal title and may be exchanged for certificates for Adjusted Shares at any time at the expense of the Shareholders in question.

## **Timing**

The Adjustment Proposal is subject to the Court's approval. The Capital Reorganisation will become effective after the Court's approval and registration of the order of the Court confirming the reduction of issued share capital and the minutes approved by the Court at the Registrar of Companies in the Cayman Islands, which is expected to take approximately 4 to 6 months from the date hereof.

## **CHANGE IN BOARD LOT SIZE**

The Shares are currently traded in board lots of 5,000 Shares each. The Company proposes to change the board lot size of the Shares for trading on the Stock Exchange from 5,000 Shares to 10,000 Adjusted Shares (the "Change in Board Lot Size") upon the Capital Reorganisation becoming effective.

Assuming the Capital Reorganisation and the Change in Board Lot Size becomes effective, the Adjusted Shares will be traded in board lots of 10,000 Adjusted Shares and the estimated market value per board lot of the Adjusted Shares will be HK\$3,000 (based on the closing price of HK\$0.060 per Share as quoted on the Stock Exchange on the Last Trading Day and adjusted for the effect of the Share Consolidation). The Change in Board Lot Size is conditional on the Capital Reorganisation becoming effective.

The Capital Reorganisation and the Change in Board Lot Size is expected to bring about a corresponding upward adjustment in the trading price per board lot of the Adjusted Shares on the Stock Exchange.

## **EXPECTED TIMETABLE**

The expected timetable for the Capital Reorganisation and the Change in Board Lot Size is set out below:

Despatch of Circular and proxy form of EGM	.....	Tuesday, 1 November 2011
Latest time for return of proxy form of EGM (not less than 48 hours prior to time of EGM)	.....	9:00 a.m., Tuesday, 22 November 2011
Expected date and time of EGM	.....	9:00 a.m., Thursday, 24 November 2011
Announcement of results of EGM	.....	Thursday, 24 November 2011

**The following events are conditional on the results of the EGM and the relevant Court hearings. The dates are therefore tentative.**

Announcement of expected effective date of the Capital Reorganisation	.....	on or before Tuesday, 14 February 2012
Proposed effective date of the Capital Reorganisation	.....	after 4:00 p.m., Tuesday, 14 February 2012
Commencement of dealings in Adjusted Shares	.....	9:00 a.m., Wednesday, 15 February 2012
Original counter for trading in Shares (in board lots of 5,000 Shares) to be closed	.....	9:00 a.m., Wednesday, 15 February 2012
Temporary counter for trading in Adjusted Shares in board lots of 1,000 Adjusted Shares (in form of existing share certificates) to be opened	.....	9:00 a.m., Wednesday, 15 February 2012

Free exchange of existing share certificates for new share certificates for the Adjusted Shares commences	.....	Wednesday, 15 February 2012
Designated broker starts to stand in the market to provide matching services for the sale and Purchase of odd lots of Adjusted Shares	.....	Wednesday, 29 February 2012
Original counter for trading in Adjusted Shares (in board lots of 10,000 Adjusted Shares) to be re-opened	.....	9:00 a.m., Wednesday, 29 February 2012
Parallel trading in Adjusted Shares (in form of new and existing certificate) begins	.....	9:00 a.m., Wednesday, 29 February 2012
Temporary counter for trading in Adjusted Shares in board lots of 1,000 Adjusted Shares (in form of existing share certificates) to be closed	.....	4:00 p.m., Tuesday, 20 March 2012
Parallel trading in Adjusted Shares (in form of new and existing certificate) ends	.....	4:00 p.m., Tuesday, 20 March 2012
Designated broker ceases to stand in the market to provide matching services for the sale and purchase of odd lots of Adjusted Shares	.....	4:00 p.m., Tuesday, 20 March 2012
Last day of free exchange of existing share certificates for new share certificates	.....	Tuesday, 27 March 2012

All times and dates in this announcement refer to Hong Kong local times and dates.

Dates or deadlines specified in this announcement are indicative only. Any changes to the expected timetable will be published or notified to Shareholders as and when appropriate.

## **FINANCIAL INFORMATION ON WILLIE**

The principal business activities of the Willie Group are investment in securities, money lending, property investment and investment holding.

According to the latest unaudited condensed consolidated interim results of Willie for the six months ended 30 June 2011, the value of the net assets of Willie Group as at 30 June 2011 was approximately HK\$2,125,536,000.

The following table sets out the audited consolidated net profits (before and after taxation) of Willie Group for the two years ended 31 December 2009 and 31 December 2010:

	<b>Year ended 31 December</b>	
	<b>2010</b>	<b>2009</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
	(audited)	(audited)
Profit (or loss) before taxation	(192,694)	133,285
Profit (or loss) after taxation	(195,599)	129,345

## **INFORMATION ON THE GROUP**

The Group is principally engaged in the provision of securities brokerage services, trading of securities, provision of finance, as well as investment holding.

## **FUND RAISING ACTIVITIES IN THE PAST TWELVE MONTHS**

Save as disclosed below, the Company has not conducted any fund raising activities in the past twelve months before the date of this announcement:

<b>Date of announcement</b>	<b>Event</b>	<b>Net proceeds (<i>approx.</i>)</b>	<b>Intended use of proceeds</b>	<b>Actual use of proceeds</b>
21 October 2010	Placing of 2,000,000,000 new Shares under specific mandate on a best effort basis	HK\$535.8 million	for general working capital and expanding the financial services business of the Group	used as intended
29 September 2010	Placing of 118,950,000 Shares under general mandate on a fully-underwritten basis	HK\$36.9 million	for general working capital	used as intended
9 August 2010	Issue of convertible bonds in aggregate principal amount of HK\$550 million	HK\$549.3 million	for general working capital and substantially for expanding the Group's financial services business	used as intended

## EFFECTS ON SHAREHOLDING STRUCTURE OF THE COMPANY

The existing shareholding structure of the Company and the effect on the shareholding structure of the Company upon completion of the Capital Reorganisation and the Proposed Issue (assuming no other changes in the issued share capital and shareholding in the Company from the date of this announcement up to immediately before the issue of all Freeman Subscription Shares) are set out as below:

	As at the date of this announcement		Immediate upon completion of the Capital Reorganisation and the Proposed Issue	
	Number of Shares	(approx.)	Number of Adjusted Shares	(approx.)
<b>Directors</b>				
Au Shuk Yee, Sue	1,229,000	0.03%	245,800	0.02%
Andrew Liu	883,453,634	18.74%	176,690,726	15.62%
<b>Other Shareholders</b>				
Willie Group	108,975,000	2.31%	210,343,057	18.59%
Other Shareholders	<u>3,720,043,797</u>	<u>78.92%</u>	<u>744,008,760</u>	<u>65.77%</u>
<b>Total</b>	<u>4,713,701,431</u>	<u>100.00</u>	<u>1,131,288,343</u>	<u>100.00</u>

## REASONS FOR AND BENEFITS OF THE PROPOSED SUBSCRIPTION, PROPOSED ISSUE AND THE CAPITAL REORGANISATION

Both the Company and Willie are engaged in the businesses of securities investment and trading, provision of finance and investment holding. The Group and the Willie Group also have similar published consolidated net asset values. The Group's audited consolidated net asset value as of 31 March 2011 was approximately HK\$2.5 billion. Willie Group's unaudited consolidated net asset value as of 30 June 2011 was approximately HK\$2.1 billion. The Board believes that the Subscription Agreement provides the Company with an opportunity to form a strategic alliance with Willie. The Board also believes that the Proposed Subscription will bring additional value to and strengthen the capital base of the Company.

Furthermore, if completion takes place for both the Proposed Subscription and the Proposed Issue, the Company will be able to reap the potential benefits as outlined in the paragraph above with an overall effect of no net cash outlay (apart from professional and other fees in connection with the consummation of the Proposed Subscription and the Proposed Issue).

Separately, both the Company and Willie are trading at deep discounts to their published consolidated net asset value. As disclosed under the section headed "Decline in the Carrying Value of Securities Investment Portfolio" below, the carrying values of the securities investment portfolio of both the Group and the Willie Group have declined. Nonetheless, the Company believes that the discount of the consideration per share of the Proposed Subscription as compared with the latest published unaudited consolidated net asset value per share of the Willie

Group creates a sufficiently large buffer. The decline in the carrying value of the Group's securities investment portfolio would also serve to reduce the discount at which the Freeman Subscription Shares are issued.

In addition, the Shares of the Company have been trading at a price below its nominal value of HK\$0.10 each recently. Under the Companies Law, it is not permissible for a Cayman company to issue shares at a discount to the nominal value of its shares, unless in compliance with section 35 of the Companies Law, which includes, inter alia, requirements to obtain authorisation of members of the Company and sanction by the Court. Given the current trading prices, the Company is unable to conduct any fund raising activity or issue consideration shares for asset acquisitions, such as the transactions contemplated under the Subscription Agreement.

Accordingly, the Board is of the view that the Proposed Subscription, Proposed Issue (including the grant of the Specific Mandate) and the Capital Reorganisation are beneficial to the Company and its Shareholders as a whole.

## **LISTING RULES IMPLICATION**

As the relevant percentage ratios under Rule 14.07 of the Listing Rules in respect of the Proposed Subscription exceed 5% but are not more than 25%, the Proposed Subscription constitutes a discloseable transaction for the Company under Chapter 14 of the Listing Rules.

## **EGM**

An EGM will be convened and held for the Shareholders to consider and, if thought fit, pass the relevant resolutions to approve the Capital Reorganisation and the Proposed Issue (including the grant of the Specific Mandate). As at the date hereof, Willie Group holds 108,975,000 Shares, representing approximately 2.31% of the existing issued share capital of the Company. As Willie is a party to the Subscription Agreement, it has a material interest in the Proposed Issue. Willie and its associates, to the extent they hold Shares at the EGM, will be required to abstain from voting at the EGM on the resolution proposed to approve Proposed Issue (including the grant of the Specific Mandate).

## **GENERAL**

The Circular containing details of the Capital Reorganisation and the Proposed Issue and a notice convening the EGM to approve the Capital Reorganisation and the Proposed Issue are expected to be despatched to Shareholders on or before 1 November 2011.

An application will be made by the Company to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Subscription Shares and the Adjusted Shares.

**As completion of the Proposed Subscription and the Proposed Issue are subject to the satisfaction of a number of conditions precedents under the Subscription Agreement, the Proposed Subscription and the Proposed Issue may or may not proceed. Shareholders and potential investors are advised to exercise caution when dealing in the Shares.**

## **DECLINE IN THE CARRYING VALUE OF SECURITIES INVESTMENT PORTFOLIO**

In view of the recent economic developments in Hong Kong and elsewhere, volatility in the global securities market, significant declines in stock market values, and a general deterioration in economic confidence, the preliminary review of the performance of the Group's securities investment portfolio conducted as of the end of the third quarter of 2011 shows a significant decline in the carrying value of the Group's securities investment portfolio as of 30 September 2011. As a result, in respect of the Group's trading of securities business, the Group is expected to record a significant unrealized loss on investments held for trading for the six-month period ended 30 September 2011. Despite the above, the Group is not in any way forced to liquidate its securities investment portfolio, and the cash position, liquidity and financial position of the Group remain healthy.

The above is only based on a preliminary review and information currently available, and has not been confirmed nor audited by the Company's auditors.

The Company is in the process of preparing management accounts of the Group for the six months ended 30 September 2011, and will make further announcement(s) if required on the overall financial performance of the Group for that period.

**Shareholders and potential investors are advised to exercise caution when dealing in the Shares.**

The Company has also been informed by Willie that in view of the recent volatility in the global and Hong Kong securities market, and a general deterioration in economic confidence, the preliminary review of the performance of the Willie Group's securities investment portfolio as of the end of the third quarter of 2011 shows a decline in the carrying value of the Willie Group's securities investment portfolio as of 30 September 2011 compared with the position as of Willie's most recent interim accounts date on 30 June 2011.

## **RESUMPTION OF TRADING**

At the request of the Company, trading in the shares of the Company was suspended with effect from 9:30 a.m. on 30 September 2011 pending the release of this announcement. Application has been made by the Company to the Stock Exchange for the resumption of trading in the shares of the Company with effect from 9 a.m. on 4 October 2011.

## DEFINITIONS

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

"Adjustment Proposal"	the proposed reduction of the nominal value of each issued Consolidated Share from HK\$0.50 to HK\$0.01 by canceling the paid-up capital to the extent of HK\$0.49 per issued Consolidated Share and the application of the credit arising from such capital reduction to set-off the accumulated deficit of the Company with the balance to be transferred to a distributable reserve called distributable capital reduction reserve account or other reserve account of the Company
"Adjusted Share(s)"	new ordinary share(s) of HK\$0.01 each in the issued and unissued capital of the Company upon the Capital Reorganisation becoming effective
"associate"	has the meaning ascribed to it under the Listing Rules
"Board"	the board of Directors
"Business Day"	a day (other than a Saturday, Sunday or a public holiday) on which banks are open for business in Hong Kong
"Capital Reorganisation"	the proposed reorganisation of the capital of the Company by way of (i) the Shares Consolidation; (ii) the Adjustment Proposal; and (iii) the Share Subdivision as referred in this announcement
"Change in Board Lot Size"	the proposed change in board lot size of the Shares for trading on the Stock Exchange from 5,000 Shares to 10,000 Adjusted Shares as referred to in this announcement
"Circular"	the circular to be dispatched to the Shareholders giving the details of the Capital Reorganisation and the Proposed Issue (including the grant of the Specific Mandate), and containing the notice of the EGM
"Companies Law"	The Company Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands
"Companies Ordinance"	The Companies Ordinance, Chapter 32 of the Laws of Hong Kong
"Company"	Freeman Financial Corporation Limited (Stock Code: 279), a company incorporated in the Cayman Islands with limited liability, the Shares of which are listed on the Stock Exchange
"connected person"	has the meaning ascribed thereto under the Listing Rules

"Consolidated Share(s)"	issued share(s) of HK\$0.50 each in the capital of the Company immediately following the Share Consolidation and prior to the Adjustment Proposal
"Court"	the Grand Court of the Cayman Islands
"Director(s)"	director(s) of the Company
"EGM"	the extraordinary general meeting of the Company to be held to consider and, if thought fit, approve the Capital Reorganisation and the Proposed Issue (including the grant of the Specific Mandate)
"Freeman Condition(s)"	the condition(s) of the Proposed Issue referred to in the section headed "Proposed Issue of Freeman Subscription Shares to Willie under Specific Mandate – Conditions of the Proposed Issue"
"Freeman Subscription Share(s)"	188,548,057 new Adjusted Shares (representing approximately 16.67% of the issued share capital of the Company immediately after the Capital Reorganisation and completion of the Proposed Issue) to be issued and allotted by the Company to Willie pursuant to the Subscription Agreement
"Group"	the Company and its subsidiaries
"Hong Kong"	Hong Kong Special Administrative Region of the People's Republic of China
"HK\$"	Hong Kong dollars, the lawful currency of Hong Kong
"Last Trading Day"	28 September 2011, being the last full trading day of the Company before the date of the Subscription Agreement
"Listing Committee"	has the meaning ascribed to it under the Listing Rules
"Listing Rules"	the Rules Governing the Listing of Securities on the main board of the Stock Exchange
"Proposed Issue"	the issue of the Freeman Subscription Shares to Willie or as it may direct pursuant to the Subscription Agreement
"Proposed Subscription"	the subscription of the Willie Subscription Shares by the Company pursuant to the Subscription Agreement
"Share(s)"	existing ordinary share(s) in the issued and unissued capital of the Company, the par value of which being HK\$0.10 each, prior to the Capital Reorganisation
"Shareholder(s)"	holder(s) of Shares or Adjusted Shares, as the case may be

"Share Consolidation"	the proposed consolidation of every five (5) issued Shares of par value of HK\$0.10 each into one (1) Consolidated Share of par value of HK\$0.50 each
"Share Subdivision"	the proposed subdivision of each authorised but unissued Share of par value of HK\$0.10 each into ten (10) Adjusted Shares of par value of HK\$0.01 each
"Specific Mandate"	the specific mandate to be sought at the EGM to approve the Proposed Issue
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Subscription Agreement"	a conditional agreement dated 30 September 2011 entered into between the Company and Willie in relation to the Proposed Subscription and the Proposed Issue
"subsidiaries"	has the meaning ascribed thereto in the Listing Rules and the Companies Ordinance
"Willie"	Willie International Holdings Limited (Stock Code: 273), a company incorporated in the Hong Kong with limited liability, the shares of which are listed on the Stock Exchange
"Willie Adjusted Share(s)"	new ordinary share(s) of a par value of HK\$0.01 each in the capital of Willie upon the Willie Capital Reorganisation becoming effective
"Willie Capital Reorganisation"	the proposed capital reorganisation of Willie by way of (i) the proposed reduction of Willie's share capital including the cancellation of the paid-up share capital to the extent of HK\$0.008 of each Willie Share in issue from HK\$0.01 to HK\$0.002 and the reduction of the nominal value of all the issued and unissued Willie Shares; (ii) the proposed consolidation of every five (5) reduced Willie Shares into one (1) Willie Adjusted Share
"Willie Condition(s)"	the condition(s) of the Proposed Subscription referred to in the section headed "Proposed Subscription of Willie Subscription Shares by the Company – Conditions of the Proposed Subscription"
"Willie Group"	Willie and its subsidiaries
"Willie Share(s)"	existing ordinary share(s) of a par value of HK\$0.01 each in the capital of Willie

"Willie Subscription  
Share(s)"

(i) 641,063,394 new Willie Shares of a par value of HK\$0.01 each in Willie if the Willie Capital Reorganisation has not become effective; or (ii) 128,212,678 new Willie Adjusted Shares of a par value of HK\$0.01 each in Willie if the Willie Capital Reorganisation has become effective (representing in each case approximately 19.05% of the issued share capital of Willie immediately after the issue and allotment of the Willie Subscription Shares to the Company) to be issued and allotted by Willie to the Company pursuant to the Subscription Agreement

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

Hong Kong, 3 October 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 Whitelam  
Dr. Agustin V. Que