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# THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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If you are in doubt as to any aspect of this circular or as to the action to be taken, you should consult a licensed securities dealer, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your securities in Freeman Financial Corporation Limited (the “Company”), you should at once hand this circular and the accompanying form of proxy to the purchaser or transferee or to the bank, licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.

This circular is not an offer of, nor is it intended to invite offers for, securities of the Company.

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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)

### PROPOSED RIGHTS ISSUE ON THE BASIS OF TWO RIGHTS SHARES FOR EVERY SHARE HELD ON THE RECORD DATE; AND NOTICE OF EXTRAORDINARY GENERAL MEETING

Underwriters of the Rights Issue

CHUNG NAM SECURITIES LIMITED



結好證券有限公司  
GET NICE SECURITIES LIMITED

Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders



粵海證券有限公司  
GUANGDONG SECURITIES LIMITED

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It should be noted that the Shares will be dealt in on an ex-rights basis from 10 April 2012. Dealings in the Rights Shares in the nil-paid form will take place from 23 April 2012 to 30 April 2012 (both dates inclusive). If the conditions of the Rights Issue are not fulfilled or the Underwriting Agreement is terminated by the Underwriter(s), the Rights Issue will not proceed. Any dealing in the nil-paid Rights Shares during the period from 23 April 2012 to 30 April 2012 (both dates inclusive) will accordingly bear the risk that the Rights Issue may not become unconditional or may not proceed.

A letter of advice from Guangdong Securities, the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders, is set out on pages 34 to 54 of this circular and a letter of recommendation from the Independent Board Committee to the Independent Shareholders is set out on page 33 of this circular.

A notice convening an extraordinary general meeting of the Company to be held at 30th Floor, China United Centre, 28 Marble Road, North Point, Hong Kong at 3:30 p.m. on Tuesday, 3 April 2012 is set out on pages 82 to 84 of this circular. Whether or not you are able to attend the meeting in person, you are requested to complete and return the accompanying form of proxy in accordance with the instructions printed thereon and return it to the share registrar of the Company in Hong Kong, **Tricor Secretaries Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong**, as soon as possible and in any event not later than 48 hours before the time appointed for holding the meeting or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the meeting or any adjournment thereof should you so wish.

It should be noted that the Underwriting Agreement in respect of the Rights Issue contains provisions entitling the Underwriter(s) by notice in writing to the Company at any time prior to 4:00 p.m. on the Latest Termination Date to terminate the obligations of the Underwriters thereunder on the occurrence of certain events including force majeure. These events are set out under the section headed “Termination of the Underwriting Agreement” on pages 20 to 21 of this circular. If an Underwriter terminates the Underwriting Agreement in accordance with the terms thereof, the Rights Issue will not proceed. In addition, the Rights Issue is conditional on all conditions set out on pages 18 of this circular being fulfilled. If such conditions have not been satisfied in accordance with the Underwriting Agreement on or before the time and dates specified therein, all liabilities of the parties to the Underwriting Agreement shall cease and determine and no party shall have any claim against the other parties save for any antecedent breach of the Underwriting Agreement and the Rights Issue will not proceed.

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## EXPECTED TIMETABLE

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*The expected timetable of the Rights Issue, the Capital Reorganisation and the change in board lot size is as follows. Except (i) latest time for lodging proxy form of EGM for the Rights Issue, (ii) expected date and time of EGM for the Rights Issue and (iii) announcement of results of EGM for the Rights Issue, other events are conditional on the timing of the Capital Reorganisation and the dates are therefore tentative.*

Effective date of the Capital Reorganisation . . . . . after 4:00 p.m., Tuesday,  
20 March 2012

Commencement of dealings in Adjusted Shares . . . . . 9:00 a.m., Wednesday,  
21 March 2012

Original counter for trading in Shares  
(in board lots of 5,000 Shares) to be closed. . . . . 9:00 a.m., Wednesday,  
21 March 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,  
21 March 2012

Free exchange of existing share certificates for new share certificates  
for the Adjusted Shares commences . . . . . Wednesday, 21 March 2012

Latest time for lodging proxy form of EGM for the Rights Issue  
(not less than 48 hours prior to time of EGM for the Rights Issue) . . . . . 3:30 p.m., Sunday,  
1 April 2012

Expected date and time of EGM for the Rights Issue . . . . . 3:30 p.m., Tuesday,  
3 April 2012

Announcement of results of EGM for the Rights Issue . . . . . Tuesday, 3 April 2012

Designated broker starts to stand in the market  
to provide matching services for the sale and purchase  
of odd lots of Adjusted Shares. . . . . Thursday, 5 April 2012

Original counter for trading in Adjusted Shares (in board lots  
of 20,000 Adjusted Shares) to be re-opened . . . . . 9:00 a.m., Thursday,  
5 April 2012

Parallel trading in Adjusted Shares (in form of new  
and existing certificate) begins . . . . . 9:00 a.m., Thursday,  
5 April 2012

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## EXPECTED TIMETABLE

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Last day of dealings in the Shares on cum-rights basis . . . . .	Thursday, 5 April 2012
Ex-date (the first day of dealings in the Shares on ex-rights basis) . . . . .	Tuesday, 10 April 2012
Latest time for lodging transfers of Shares in order to qualify for the Rights Issue . . . . .	4:30 p.m., Wednesday, 11 April 2012
Register of members closes (both days inclusive) . . . . .	Thursday, 12 April 2012 to Wednesday, 18 April 2012
Record Date . . . . .	Wednesday, 18 April 2012
Register of members to be re-opened . . . . .	Thursday, 19 April 2012
Prospectus Documents to be posted . . . . .	Thursday, 19 April 2012
First day of dealings in nil-paid Rights Shares . . . . .	Monday, 23 April 2012
Latest time for splitting of nil-paid Rights Shares . . . . .	4:30 p.m., Wednesday, 25 April 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., Friday, 27 April 2012
Parallel trading in Adjusted Shares (in form of new and existing certificate) ends . . . . .	4:00 p.m., Friday, 27 April 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., Friday, 27 April 2012
Last day of dealings in nil-paid Rights Shares . . . . .	Monday, 30 April 2012
Last day of free exchange of existing share certificates for new share certificates . . . . .	Wednesday, 2 May 2012
Latest time for acceptance of and payment for Rights Shares and application for excess Rights Shares . . . . .	4:00 p.m., Friday, 4 May 2012

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## EXPECTED TIMETABLE

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Latest time for the termination of the Underwriting Agreement . . . . . 4:00 p.m., Tuesday,  
8 May 2012

Announcement of allotment results . . . . . Wednesday, 9 May 2012

Despatch of certificates for fully-paid Rights Shares  
and refund cheques . . . . . Thursday, 10 May 2012

Expected first date of dealings in fully-paid Rights Shares . . . . . Friday, 11 May 2012

All times and dates specified in this circular refer to Hong Kong local times. Dates stated in this circular for events mentioned in the timetable are indicative only and may be extended or varied. Any changes to the expected timetable for the Rights Issue will be announced as appropriate in accordance with the Listing Rules.

### **EFFECT OF BAD WEATHER ON THE LATEST TIME FOR ACCEPTANCE OF AND PAYMENT FOR THE RIGHTS SHARES AND FOR APPLICATION AND PAYMENT FOR EXCESS RIGHTS SHARES**

The latest time for acceptance of and payment for the Rights Shares and for application and payment for excess Rights Shares will not take place if there is:

1. a tropical cyclone warning signal number 8 or above; or
2. a “black” rainstorm warning
  - (i) in force in Hong Kong at any local time before 12:00 noon and no longer in force after 12:00 noon on the Acceptance Date. Instead the latest time for acceptance of and payment for the Rights Shares and for application and payment for excess Rights Shares will be extended to 5:00 p.m. on the same Business Day; or
  - (ii) in force in Hong Kong at any local time between 12:00 noon and 4:00 p.m. on the Acceptance Date. Instead the latest time for acceptance of and payment for the Rights Shares and for application and payment for excess Rights Shares will be rescheduled to 4:00 p.m. on the following Business Day which does not have either of those warnings in force in Hong Kong at any time between 9:00 a.m. and 4:00 p.m..

If the latest time for acceptance of and payment for the Rights Shares and for application and payment for excess Rights Shares (if any) does not take place on the Acceptance Date, the dates mentioned in this section may be affected. An announcement will be made by the Company in such event.

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## DEFINITIONS

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*In this circular, unless the context otherwise requires, the following terms shall have the following meanings:*

“Acceptance Date”	4 May 2012 or such other date as the Underwriters may agree in writing with the Company as the latest date for acceptance of, and payment for, the Rights Shares and application and payment for excess Rights Shares
“Adjustment Proposal”	the adjustment proposal as described in the announcement of the Company dated 3 October 2011 and as further detailed in the circular of the Company dated 30 November 2011
“Adjusted Share(s)”	ordinary share(s) of the Company with a par value of HK\$0.01 each upon the Capital Reorganisation becoming effective
“associate(s)”	has the meaning ascribed thereto under the Listing Rules
“Articles”	the articles of association of the Company
“Board”	the board of Directors
“Business Day”	a day on which banks in Hong Kong are generally open for business (other than a Saturday or Sunday and any day on which a tropical cyclone warning No. 8 or above is hoisted or remains hoisted between 9:00 a.m. and 12:00 noon and is not lowered at or before 12:00 noon or on which a “black” rainstorm warning signal is hoisted or remains in effect between 9:00 a.m. and 12:00 noon and is not discontinued at or before 12:00 noon)
“Capital Reorganisation”	the capital reorganisation described in the announcement of the Company dated 3 October 2011 and as further detailed in the circular of the Company dated 30 November 2011
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“Chung Nam”	Chung Nam Securities Limited, a corporation licensed to carry out business in type 1 (dealing in securities) regulated activities under the SFO

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## DEFINITIONS

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“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 main board of the Stock Exchange
“Director(s)”	director(s) of the Company from time to time
“EAF(s)”	the form(s) of application for excess Rights Shares, being in such usual form as may be agreed between the Company and the Underwriters
“EGM”	the extraordinary general meeting of the Company to be convened for the purpose of approving, inter alia, the Rights Issue
“Existing Share(s)”	existing ordinary share(s) of the Company with a par value of HK\$0.10 each
“Freeman Subscription Shares”	188,548,057 new Adjusted Shares to be issued and allotted by the Company to Willie pursuant to the Share Subscription Agreement
“Get Nice”	Get Nice Securities Limited, a corporation licensed to carry out business in type 1 (dealing in securities), type 4 (advising on securities), type 6 (advising on corporate finance), and type 9 (asset management) regulated activities under the SFO
“Group”	the Company and its subsidiaries
“HKSCC”	Hong Kong Securities Clearing Company Limited
“HK\$”	Hong Kong dollar, the currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Board Committee”	a committee of the Board comprising all the independent non-executive Directors formed for the purpose of advising the Independent Shareholders in relation to the Rights Issue

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## DEFINITIONS

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“Independent Shareholder(s)”	any Shareholders other than controlling Shareholders and their associates or, where there are no controlling Shareholders, any Shareholder other than Directors (excluding independent non-executive Directors) and the chief executive of the Company and their respective associates
“Guangdong Securities” or “Independent Financial Adviser”	Guangdong Securities Limited, a licensed corporation to carry out Type 1 (dealing in securities), Type 2 (dealing in futures contracts), Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities as defined under the SFO and the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the Rights Issue
“Issue Mandate”	the general mandate granted to the Directors to allot, issue and deal with up to a maximum of 20% of the aggregate share capital of the Company in issue as at the date of annual general meeting of the Company held on 30 August 2011
“Last Trading Day”	19 January 2012, being the date of the Underwriting Agreement
“Latest Practicable Date”	15 March 2012, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contained herein
“Latest Termination Date”	the second Business Day after the Acceptance Date or such other date as the Underwriters may agree in writing with the Company
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Memorandum”	the memorandum of association of the Company



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## DEFINITIONS

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“Non-Qualifying Shareholders”	those Overseas Shareholders whom the Directors, based on opinions provided by the Company’s legal advisers, consider it necessary or expedient not to offer the Rights Shares to such Shareholders on account either of legal restrictions under the laws of the relevant place or the requirements of the relevant regulatory body or stock exchange in that place
“Option(s)”	the option(s) to subscribe for Existing Shares or Adjusted Shares under the Share Option Scheme
“Overseas Shareholder(s)”	Shareholder(s) whose name(s) appear(s) on the register of members of the Company at the close of business on the Record Date and whose address(es) as shown on such register is (are) outside Hong Kong
“PAL(s)”	the renounceable provisional allotment letter(s) proposed to be issued to the Qualifying Shareholders in connection with the Rights Issue, being in such usual form as may be agreed between the Company and the Underwriters
“Posting Date”	19 April 2012 or such other date as the Underwriters may agree in writing with the Company, as the expected date of despatch of the Prospectus Documents to the Qualifying Shareholders or the Prospectus to the Non-Qualifying Shareholders for information only (as the case may be)
“Proposed Issue”	the issue of 188,548,057 new Adjusted Shares to Willie or as it may direct pursuant to the Share Subscription Agreement
“Prospectus”	the prospectus to be despatched to the Shareholders containing details of the Rights Issue
“Prospectus Documents”	the Prospectus, PAL and EAF
“Qualifying Shareholders”	Shareholders, other than the Non-Qualifying Shareholders
“Record Date”	18 April 2012 (or such other date as the Underwriters may agree in writing with the Company), as the date by reference to which entitlements to the Rights Issue are expected to be determined

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## DEFINITIONS

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“Registrar”	the share registrar of the Company in Hong Kong, being Tricor Secretaries Limited at 26th Floor, Tesbury Centre, 28 Queen’s Road East, Wanchai, Hong Kong
“Rights Issue”	the proposed issue by way of rights on the basis of two Rights Shares for every Adjusted Share in issue and held on the Record Date at the Subscription Price on the terms and subject to the conditions set out in the Underwriting Agreement and the Prospectus Documents
“Rights Shares”	Adjusted Shares to be issued and allotted under the Rights Issue on the basis of two new Adjusted Shares for every Adjusted Share in issue on the Record Date, being 1,885,480,572 Adjusted Shares based on the Company’s issued share capital as at the Latest Practicable Date, or if the maximum number of Options that can be issued pursuant to the Scheme Mandate are granted and exercised in full and the Proposed Issue is completed on or prior to the Record Date, an aggregate of 2,451,124,742 Adjusted Shares
“Scheme Mandate”	the mandate granted to the Directors to allot and issue under the share option scheme adopted by the Company on 23 August 2002 up to a maximum of 10% of the aggregate share capital of the Company in issue as at the date of the extraordinary general meeting of the Company held on 30 March 2011
“SFO”	The Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	Existing Shares or Adjusted Shares (as the case may be)
“Share Option Scheme”	the share option scheme adopted by the Company on 23 August 2002
“Shareholder(s)”	registered holder(s) of the Existing Shares or Adjusted Shares (as the case may be) of the Company
“Share Subscription Agreement”	the Share Subscription Agreement between the Company and Willie dated 30 September 2011 as described in the Company’s circular dated 30 November 2011

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## DEFINITIONS

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“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription Price”	HK\$0.10 per Rights Share
“Underwriters”	Chung Nam and Get Nice, the Underwriters of the Rights Issue
“Underwriting Agreement”	the underwriting agreement dated 19 January 2012 entered into between the Company and the Underwriters in relation to the underwriting arrangement in respect of the Rights Issue
“Underwritten Shares”	all the Rights Shares except for the Rights Shares that Mr. Andrew Liu and Willie have irrevocably undertaken to accept or procure acceptance for
“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 Group”	Willie and its subsidiaries
“%” or “per cent.”	percentage or per centum

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## LETTER FROM THE BOARD

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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)**

*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

*Registered office:*

Cricket Square  
Hutchins Drive  
P.O. Box 2681  
Grand Cayman KY1-1111  
Cayman Islands

*Non-executive Directors:*

Mr. Andrew Liu  
Mr. Liu Kam Fai, Winston

*Principal place of business*

*in Hong Kong:*

Room 2302, 23rd Floor,  
China United Centre  
28 Marble Road  
North Point  
Hong Kong

*Independent non-executive Directors:*

Mr. Gary Drew Douglas  
Mr. Peter Temple Whitelam  
Dr. Agustin V. Que  
Mr. Frank H., Miu

19 March 2012

*To the Shareholders*

Dear Sir or Madam,

### **PROPOSED RIGHTS ISSUE ON THE BASIS OF TWO RIGHTS SHARES FOR EVERY SHARE HELD ON THE RECORD DATE**

#### **INTRODUCTION**

On 19 January 2012, the Company announced that the Board proposes to raise approximately HK\$188.5 million before expenses (assuming no further issue of new Shares or repurchase of Shares on or before the Record Date) to approximately HK\$245.1 million before expenses (assuming (i) no repurchase of Shares; (ii) the maximum number of Options that can be issued pursuant to the Scheme Mandate are granted and exercised in full; and (iii) the Proposed Issue is completed on or before the Record Date) by issuing not less than 1,885,480,572 new Adjusted Shares and not more than

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## LETTER FROM THE BOARD

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2,451,124,742 new Adjusted Shares to the Qualifying Shareholders by way of the Rights Issue at a subscription price of HK\$0.10 per Rights Share on the basis of two Rights Shares for every Adjusted Share held on the Record Date. The Rights Issue will not be available to the Non-Qualifying Shareholders.

The Independent Board Committee has been formed to advise the Independent Shareholders in respect of the Rights Issue and Guangdong Securities has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

The purpose of this circular is to provide you, among others, (i) further details about the Rights Issue; (ii) the recommendation of the Independent Board Committee to the Independent Shareholders in relation to the Rights Issue; (iii) the advice of Guangdong Securities to the Independent Board Committee and the Independent Shareholders in relation to the Rights Issue; and (iv) a notice of the EGM at which an ordinary resolution will be proposed to consider and, if thought fit, to approve the Rights Issue.

### PROPOSED RIGHTS ISSUE

#### Issue statistics

Basis of the Rights Issue	:	two Rights Shares for every Adjusted Share held on the Record Date
Number of Existing Shares in issue as at the Latest Practicable Date	:	4,713,701,430 Existing Shares
Number of Adjusted Shares in issue upon completion of the Capital Reorganisation	:	942,740,286 Adjusted Shares ( <i>Note 1</i> )
Number of Rights Shares	:	not less than 1,885,480,572 Rights Shares (assuming no further issue of new Shares or repurchase of Shares on or before the Record Date) and not more than 2,451,124,742 Rights Shares (assuming (i) no repurchase of Shares; (ii) the maximum number of Options that can be issued pursuant to the Scheme Mandate are granted and exercised in full; and (iii) the Proposed Issue is completed on or before the Record Date) ( <i>Note 2</i> )
Subscription Price	:	HK\$0.10 per Rights Share

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## LETTER FROM THE BOARD

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- Number of Rights Shares to be accepted under the irrevocable undertaking given by Mr. Andrew Liu : 413,647,452 Rights Shares
- Number of Rights Shares to be accepted under the irrevocable undertaking given by Willie : 43,590,000 Rights Shares (if the issuance of Adjusted Shares to Willie pursuant to the Share Subscription Agreement is not completed on or before the Record Date) or 420,686,114 Rights Shares (if the issuance of Adjusted Shares to Willie pursuant to the Share Subscription Agreement is completed on or before the Record Date)
- Number of Rights Shares underwritten by the Underwriters : all the Rights Shares except for the Rights Shares that Mr. Andrew Liu and Willie have irrevocably undertaken to accept or procure acceptance for, being not less than 1,428,243,120 Rights Shares and not more than 1,616,791,176 Rights Shares

*Note:*

1. Assuming no issue of new Shares or repurchase of Shares prior to the Capital Reorganisation becoming effective.
2. As at the Latest Practicable Date, the Company has no outstanding convertible securities, options or warrants in issue which confer any right to subscribe for, convert or exchange into Shares.

Assuming the Capital Reorganisation having become effective and (i) no repurchase of Shares, (ii) the maximum number of Options that can be issued pursuant to the Scheme Mandate are granted and exercised in full; and (iii) the Proposed Issue is completed on or before the Record Date, the issued share capital of the Company will be increased by 282,822,085 Adjusted Shares. Accordingly, an additional 565,644,170 Rights Shares would be issued, in which case the maximum number of Rights Shares that may be issued by the Company pursuant to the Rights Issue will increase to 2,451,124,742.

Assuming no further issue of new Shares or repurchase of Shares on or before the Record Date, the 1,885,480,572 nil-paid Rights Shares proposed to be provisionally allotted represent 200% of the Company's issued share capital as at the Latest Practicable Date and 66.67% of the Company's issued share capital as enlarged by the issue of the 1,885,480,572 Rights Shares. As the Rights Issue will only be completed after the Capital Reorganisation becomes effective, the aggregate nominal value of the 1,885,480,572 Rights Shares will be HK\$18,854,805.72.

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## LETTER FROM THE BOARD

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### **Qualifying Shareholders**

The Company will send the Prospectus Documents to Qualifying Shareholders only. To qualify for the Rights Issue, a Shareholder must:

1. be registered as a member of the Company at the close of business on the Record Date; and
2. be a Qualifying Shareholder.

In order to be registered as members of the Company at the close of business on the Record Date, owners of Shares must lodge any transfers of Shares (together with the relevant share certificates) with the Company's share registrar in Hong Kong, Tricor Secretaries Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong for registration by no later than 4:30 p.m. on 11 April 2012.

### **Closure of register of members**

The register of members of the Company will be closed from 12 April 2012 to 18 April 2012, both days inclusive. No transfer of Shares will be registered during this period.

### **Rights of Overseas Shareholders**

The Prospectus Documents are not intended to be registered under the applicable securities legislation of any jurisdiction other than Hong Kong.

Based on the register of members of the Company on the Latest Practicable Date, there were five Overseas Shareholders with registered addresses in Australia, Mainland China and Macau. In compliance with the necessary requirements of the Listing Rules, the Board has made enquiries with its legal advisers in Australia, Mainland China and Macau as to whether there is any legal restriction under the applicable securities legislation of the relevant jurisdiction or requirement of any relevant regulatory body or stock exchange with respect to the offer of Rights Shares to such Overseas Shareholders.

The Company has been advised by its legal adviser on the laws of Australia that the Company would need to take additional steps to comply with the regulatory requirements in Australia and a prospectus that complies with the requirements of the Corporations Act in Australia (unless certain exceptions apply) will be required to be lodged with the relevant regulatory authorities in Australia. In addition, the Company would be subject to the relevant laws and regulations in Australia if the Rights Issue is to be offered to Overseas Shareholder(s) with a registered address in Australia. As at the Latest Practicable Date, 1 Shareholder with registered address in Australia held 1 Existing Share. Unless such Shareholder acquires additional Shares in the Company, his shareholding will be sold for the benefit of the Company upon completion of the Capital Reorganisation. Having considered the circumstances, the Directors are of the view that it is not expedient to extend the Rights Issue

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## LETTER FROM THE BOARD

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to Overseas Shareholder(s) in Australia taking into consideration the time and costs involved in complying with the legal requirements of Australia. Thus, the Rights Issue will not be extended to the Overseas Shareholder(s) in Australia.

The Company has also been advised by its legal advisers on the laws of Macau and Mainland China that there is no legal restriction under the applicable legislation of these two jurisdictions or requirement of any relevant regulatory body or stock exchange with respect to the offer of the Rights Issue to the Overseas Shareholders in these two jurisdictions. Based on the advice of the Company's legal advisers on the laws of Macau and Mainland China, the Directors believe that the Prospectus Documents would not be required to be registered under the relevant laws and regulations of these two jurisdictions and may be despatched to the Overseas Shareholders with registered addresses in these two jurisdictions without any restrictions. In view of this, the Directors have decided to extend the Rights Issue to the Overseas Shareholders with registered addresses in Macau and Mainland China and such Overseas Shareholders, together with the Shareholders with registered addresses in Hong Kong, are Qualifying Shareholders. The Company will send the Prospectus Documents to such Qualifying Shareholders.

Arrangements will be made for Rights Shares which would otherwise have been provisionally allotted to the Non-Qualifying Shareholders to be sold in the market in their nil-paid form as soon as practicable after dealings in the nil-paid Rights Shares commence, if a premium (net of expenses) can be obtained. The proceeds of such sale, less expenses, of more than HK\$100 will be paid pro rata to the Non-Qualifying Shareholders. The Company will retain individual amounts of HK\$100 or less for the benefit of the Company. Any unsold entitlement of Non-Qualifying Shareholders, together with any Rights Shares provisionally allotted but not accepted, will be made available for excess application on EAFs.

### **Subscription Price**

The Subscription Price is HK\$0.10 per Rights Share, payable in full upon acceptance of the relevant provisional allotment of Rights Shares and, where applicable, application for excess Rights Shares under the Rights Issue or when a transferee of nil-paid Rights Shares applies for the Rights Shares.

After taking into account the effect of the Capital Reorganisation, the Subscription Price represents:

- (a) a discount of approximately 35.48% to the closing price of HK\$0.155 per Adjusted Share as quoted on the Stock Exchange on the Last Trading Day;



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## LETTER FROM THE BOARD

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- (b) a discount of approximately 36.71% to the average closing price of approximately HK\$0.158 per Adjusted Share as quoted on the Stock Exchange for the five consecutive trading days ended on the Last Trading Day;
- (c) a discount of approximately 15.25% to the theoretical ex-rights price of approximately HK\$0.118 per Adjusted Share based on the closing price of HK\$0.155 per Adjusted Share as quoted on the Stock Exchange on the Last Trading Day;
- (d) a discount of approximately 55.56% to the closing price of HK\$0.225 per Adjusted Share as quoted on the Stock Exchange on the Latest Practicable Date; and
- (e) a discount of approximately 29.58% to the theoretical ex-right price of approximately HK\$0.142 per Adjusted Share based on the closing price of HK\$0.225 per Adjusted Shares as quoted on the Stock Exchange on the Latest Practicable Date.

The Subscription Price was determined after arm's length negotiations between the Company and the Underwriters with reference to the market price of the Existing Shares under the prevailing market conditions. The Directors (including the independent non-executive Directors) consider the terms of the Rights Issue, including the Subscription Price which has been set as a discount as described above with an objective to encourage existing Shareholders to take up their entitlements so as to participate in the potential growth of the Company, to be fair and reasonable and in the best interests of the Company and the Shareholders as a whole. The net price per Rights Share (assuming no further issue of new Shares or repurchase of Shares on or before the Record Date) will be approximately HK\$0.096.

### **Basis of provisional allotment**

The basis of the provisional allotment shall be two Rights Shares for every Adjusted Share in issue and held at the close of business on the Record Date, being not less than 1,885,480,572 Rights Shares and not more than 2,451,124,742 Rights Shares at the Subscription Price payable in full on acceptance and otherwise on the terms and subject to the conditions set out in the Underwriting Agreement and the Prospectus Documents. Application for all or any part of a provisional allotment should be made by completing the PAL and lodging the same with a remittance for the Rights Shares being applied for.

The Company has also agreed with the Underwriters that provisional allotment of Rights Shares (in nil-paid form) will only be made after the Capital Reorganisation has become effective.

### **Fractions of Rights Shares**

On the basis of provisional allotment of two Rights Shares for every Adjusted Share held by the Qualifying Shareholders at the close of business on the Record Date, no fractional entitlements to the Rights Shares will arise under the Rights Issue.

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## LETTER FROM THE BOARD

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### **Status of Rights Shares**

The Rights Shares, when allotted, issued and fully paid, will rank *pari passu* in all respects with the Adjusted Shares then in issue. Holders of fully-paid Rights Shares will be entitled to receive all future dividends and distributions which are declared, made or paid after the date of allotment of the Rights Shares in their fully-paid form.

### **Application for excess Rights Shares**

Qualifying Shareholders or transferees of nil-paid Rights Shares may apply, by way of excess application, for any unsold entitlements of the Non-Qualifying Shareholders and for any Rights Shares provisionally allotted but not accepted. Applications for excess Rights Shares may be made by completing the EAFs and lodging the same with a separate remittance for the excess Rights Shares being applied for. The Directors will allocate the excess Rights Shares at their discretion on a fair and equitable basis on the following principles:

- (1) preference will be given to applications for less than a board lot of Rights Shares where they appear to the Directors that such applications are made to round up odd-lot holdings to whole-lot holdings and that such applications are not made with the intention to abuse this mechanism; and
- (2) subject to availability of excess Rights Shares after allocation under principle (1) above, the excess Rights Shares will be allocated based on a sliding scale with reference to the number of the excess Rights Shares applied for (i.e. applications for a smaller number of Rights Shares are allocated with a higher percentage of successful application; whereas applications for a larger number of Rights Shares are allocated with a smaller percentage of successful application), and with board lot allocations to be made on a best effort basis.

Investors with their Shares held by a nominee company should note that the Board will regard the nominee company as a single Shareholder according to the register of members of the Company. Accordingly, the Shareholders should note that the aforesaid arrangement in relation to the allocation of the excess Rights Shares will not be extended to beneficial owners individually. Investors with their Shares held by a nominee company are advised to consider whether they would like to arrange for the registration of the relevant Shares in the name of the beneficial owner(s) prior to the Record Date.

Investors whose Shares are held by their nominee(s) and who would like to have their names registered on the register of members of the Company at the close of business on the Record Date, must lodge all necessary documents with the Registrar for completion of the relevant registration by 4:30 p.m. on 11 April 2012.

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## LETTER FROM THE BOARD

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### **Share certificates and refund cheques for Rights Issue**

Subject to the fulfillment of the conditions of the Rights Issue, certificates for all fully-paid Rights Shares are expected to be posted to those entitled thereto by ordinary post at their own risk on or before 10 May 2012. Refund cheques in respect of wholly or partially unsuccessful applications for excess Rights Shares (if any) are expected to be posted on or before 10 May 2012 by ordinary post to the applicants at their own risk.

### **Application for listing**

The Company will apply to the Listing Committee of the Stock Exchange for the listing of and permission to deal in, the Rights Shares in both their nil-paid and fully-paid forms to be issued and allotted pursuant to the Rights Issue.

Subject to the granting of the listing of, and permission to deal in, the Rights Shares in both their nil-paid and fully-paid forms on the Stock Exchange as well as compliance with the stock admission requirements of HKSCC, the Rights Shares in both their nil-paid and fully-paid forms will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the respective commencement dates of dealings in the Rights Shares in their nil-paid and fully-paid forms on the Stock Exchange or such other dates as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange on any trading day is required to take place in CCASS on the second trading day thereafter. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

Both nil-paid Rights Shares and fully-paid Rights Shares will be traded in board lots of 20,000 Shares.

Dealings in the Rights Shares in both their nil-paid and fully-paid forms which are registered in the register of members of the Company in Hong Kong will be subject to the payment of stamp duty, Stock Exchange trading fee, transaction levy, investor compensation levy or any other applicable fees and charges in Hong Kong.

### **Taxation**

Qualifying Shareholders are recommended to consult their professional advisers if they are in any doubt as to the tax implications of the holding or disposal of, or dealing in the Rights Shares in both their nil-paid and fully-paid forms and, as regards the Non-Qualifying Shareholders, their receipt of the net proceeds of sale of the Rights Shares otherwise falling to be issued to them under the Rights Issue. It is emphasised that none of the Company, its Directors or any other parties involved in the Rights Issue accepts responsibility for any tax effects or liabilities of holders of the Rights Shares resulting from the purchase, holding or disposal of, or dealing in the Rights Shares in both their nil-paid and fully-paid forms.

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## LETTER FROM THE BOARD

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### Conditions of the Rights Issue

The Rights Issue is conditional upon the following conditions being fulfilled:

1. the passing of the relevant resolution by the Independent Shareholders approving the Rights Issue at the EGM in accordance with the Listing Rules;
2. the Capital Reorganisation having become effective (Note 1);
3. the delivery to the Stock Exchange and filing and registration with the Registrar of Companies in Hong Kong respectively of one copy of each of the Prospectus Documents each duly certified by two Directors (or by their agents duly authorised in writing) in compliance with the Companies Ordinance (and all other documents required to be attached thereto) and otherwise complying with the requirements of the Companies Ordinance and the Listing Rules;
4. the posting of copies of the Prospectus Documents to the Qualifying Shareholders;
5. the Listing Committee of the Stock Exchange agreeing to grant the listing of, and permission to deal in, the Rights Shares in their nil-paid and fully-paid forms either unconditionally or subject to such conditions which the Underwriters, in their reasonable opinion, accept and the subsequent satisfaction of such conditions (if any); and
6. the Underwriters having not terminated the Underwriting Agreement in accordance with the terms set out in the Underwriting Agreement.

In the event that the above conditions have not been satisfied on or before 4:00 p.m. on 30 June 2012 (or such later date as the Underwriters and the Company may agree in writing), all liabilities of the parties to the Underwriting Agreement shall cease and determine and no party shall have any claim against the other parties save for any antecedent breach of the Underwriting Agreement and the Rights Issue will not proceed.

*Note 1:* The Grand Court of the Cayman Islands approved the Adjustment Proposal at a hearing on 15 March 2012 (Cayman time). Upon registration of the order granted by the Grand Court of the Cayman Islands confirming the Adjustment Proposal and the minutes approved by the Grand Court of the Cayman Islands with the Registrar of Companies of Cayman Islands which is expected to take place between 4:00 p.m. on 20 March 2012 (Hong Kong time) and 9:00 a.m. on 21 March 2012 (Hong Kong time), the Capital Reorganisation will become effective.

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## LETTER FROM THE BOARD

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### The Underwriting Agreement

The principal terms and conditions of the Underwriting Agreement are summarised as below:

Date : 19 January 2012

Underwriters : Chung Nam Securities Limited and  
Get Nice Securities Limited

Underwriting commitment of the Underwriters : The underwriting commitment of each of the Underwriters is one half of the total number of Underwritten Shares as follows:

<b>Name</b>	<b>Underwriting commitment</b> (assuming that no Options pursuant to the Scheme Mandate are granted and exercised on or prior to the Record Date)	<b>Underwriting commitment</b> (assuming that all the Options pursuant to the Scheme Mandate are granted and exercised on or prior to the Record Date)
Chung Nam	Up to 714,121,560 Rights Shares	Up to 808,395,588 Rights Shares
Get Nice	Up to 714,121,560 Rights Shares	Up to 808,395,588 Rights Shares

The underwriting obligations and liabilities of the Underwriters are several (and not joint or joint and several). Each Underwriter's commitment to underwrite is limited to the above-mentioned underwriting commitment.

Commission : 3% of the aggregate Subscription Price of the Underwritten Shares actually issued (which underwriting commission shall be divided equally between the Underwriters) as determined on the Record Date

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## LETTER FROM THE BOARD

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Undertakings : The Company has given undertakings to the Underwriters that from the date of the Underwriting Agreement until after the Record Date not to issue any Shares under the Issue Mandate or otherwise or grant any options or other securities convertible into, exchangeable for or which carry rights to acquire Shares (other than the issue of Adjusted Shares to Willie pursuant to the Share Subscription Agreement, the granting of Options pursuant to the Scheme Mandate, and the issue of Shares upon exercise of any Options granted) without the approval of the Underwriters.

Having taken into account the irrevocable undertakings given by Mr. Andrew Liu and Willie, the Rights Issue has been fully underwritten.

The underwriting commission was determined after arm's length negotiations between the Company and the Underwriters with reference to the prevailing market rate. The Directors (including independent non-executive Directors) consider that the terms of the Underwriting Agreement (including the underwriting commission) are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

### **Termination of the Underwriting Agreement**

If at any time between the date of the Underwriting Agreement and 4:00 p.m. on the Latest Termination Date, one or more of the following events or matters (whether or not forming part of a series of events) shall occur, arise or exist:

- (a) an Underwriter shall become aware of the fact that, or shall have reasonable cause to believe that, any of the representations or warranties contained in the Underwriting Agreement is untrue, inaccurate, misleading or breached, and in each case the same is (in the reasonable opinion of that Underwriter) material in the context of the Rights Issue; or
- (b)
  - (i) any new law or regulation is enacted, or there is any change in existing laws or regulations or any change in the interpretation or application thereof by any court or other competent authority, whether in Hong Kong, the Cayman Islands or elsewhere;
  - (ii) any change in local, national or international financial, political, industrial or economic conditions;
  - (iii) any change of an exceptional nature in local, national or international equity securities or currency markets;

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## LETTER FROM THE BOARD

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- (iv) any local, national or international outbreak or escalation of hostilities, insurrection or armed conflict;
- (v) any moratorium, suspension or material restriction on trading in securities generally on the Stock Exchange; or
- (vi) any change or development involving a prospective change in taxation or exchange controls in Hong Kong, the Cayman Islands or elsewhere,

which event or events is or are in the reasonable opinion of an Underwriter:

- (1) likely to have a material adverse effect on the business, financial position or prospects of the Group taken as a whole; or
- (2) likely to have a material adverse effect on the success of the Rights Issue or the level of Rights Shares taken up; or
- (3) so material as to make it inappropriate, inadvisable or inexpedient to proceed further with the Rights Issue,

then and in such case, that Underwriter may, in addition to and without prejudice to any other remedies to which the Underwriters may be entitled, by notice in writing to the Company terminate the Underwriting Agreement.

**Upon the giving of such notice, all obligations of the Underwriters under the Underwriting Agreement shall cease and determine (save for any antecedent breaches thereof) and no party to the Underwriting Agreement shall have any claim against any other party in respect of any matter or thing arising out of or in connection with the Underwriting Agreement. If the Underwriters exercise such right, the Rights Issue will not proceed.**

### **WARNING OF THE RISKS OF DEALING IN SHARES AND THE RIGHTS SHARES**

**The Rights Issue is conditional, inter alia, upon the fulfillment of the conditions set out under the section headed “Conditions of the Rights Issue” of this circular. In particular, the Rights Issue is subject to the Underwriters not terminating the Underwriting Agreement in accordance with the terms set out therein. Accordingly, the Rights Issue may or may not proceed. Any Shareholders or other persons contemplating selling or purchasing Shares and/or nil-paid Rights Shares up to the date when the conditions of the Rights Issue are fulfilled will bear the risk that the Rights Issue could not become unconditional and may not proceed. Shareholders and the public are reminded to exercise caution when dealing in the securities of the Company.**

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## LETTER FROM THE BOARD

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### FUND RAISING ACTIVITIES OF THE COMPANY IN THE PAST TWELVE MONTHS

<b>Date of announcement</b>	<b>Fund raising activity</b>	<b>Net proceeds to be raised (approximately)</b>	<b>Proposed use of the net proceeds</b>	<b>Actual use of the net proceeds</b>
3 October 2011	Issue of 188,548,057 Adjusted Shares to Willie	HK\$48.1 million	For replenishment of the working capital of the Company as described in the Company's circular dated 30 November 2011	Not yet completed

Save as above-mentioned, the Company had not conducted any other fund raising activities in the past twelve months immediately preceding the Latest Practicable Date.

### IRREVOCABLE UNDERTAKINGS

As at the Latest Practicable Date, Mr. Andrew Liu, being a non-executive Director, owns 1,034,118,634 Existing Shares (equivalent to 206,823,726 Adjusted Shares) in the share capital of the Company. Mr. Andrew Liu has given an irrevocable undertaking to the Company that the aforementioned 1,034,118,634 Existing Shares (equivalent to 206,823,726 Adjusted Shares) shall remain registered in his name from the date of the Underwriting Agreement up to and including the date on which dealings in fully-paid Rights Shares commence on the Stock Exchange (or such later date as may be agreed with the Company in writing), and he shall accept his entitlement of 413,647,452 Rights Shares in full prior to 4:00 p.m. on the Acceptance Date and on the terms and conditions set out in the Prospectus Documents.

In addition, as at the Latest Practicable Date, Willie Group owns 108,975,000 Existing Shares (equivalent to 21,795,000 Adjusted Shares) in the share capital of the Company. Willie has given an irrevocable undertaking to the Company that the aforementioned 108,975,000 Existing Shares (equivalent to 21,795,000 Adjusted Shares) together with the 188,548,057 Adjusted Shares to be issued to Willie pursuant to the Share Subscription Agreement shall remain registered in the name of Willie and/or the relevant subsidiary(ies) of Willie from the date of the Underwriting Agreement (or in the case of the Adjusted Shares to be issued pursuant to the Share Subscription Agreement, from the date of issue and allotment) up to and including the date on which dealings in the fully-paid Rights Shares commence on the Stock Exchange (or such later date as may be agreed with the Company in writing), and Willie and/or the relevant subsidiary(ies) of Willie will accept, or procure the acceptance of, Willie Group's entitlement of 420,686,114 Rights Shares (if the issuance of Adjusted Shares to Willie pursuant to the Share Subscription Agreement is completed on or before the Record Date) or 43,590,000 Rights Shares (if the issuance of Adjusted Shares to Willie pursuant to the Share Subscription Agreement is not completed on or before the Record Date) in full prior to 4:00 p.m. on the Acceptance Date and on the terms and conditions set out in the Prospectus Documents.



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## LETTER FROM THE BOARD

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Furthermore, should Willie and/or the relevant subsidiary(ies) of Willie procure the acceptance of all or part of Willie Group's entitlement under the Rights Issue by another person or persons, Willie undertakes to use all reasonable endeavours to ensure that each of such person(s) shall be a third party independent of, not acting in concert with and not connected with the Directors, chief executive or other substantial shareholders (within the meaning of the Listing Rules) of the Company or their respective associates.

### **REASONS FOR AND BENEFITS OF THE PROPOSED RIGHTS ISSUE AND USE OF PROCEEDS**

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

The gross proceeds from the Rights Issue will be not less than approximately HK\$188.5 million (assuming no further issue of new Shares or repurchase of Shares on or before the Record Date) but not more than approximately HK\$245.1 million (assuming (i) no repurchase of Shares; (ii) the maximum number of Options that can be issued pursuant to the Scheme Mandate are granted and exercised in full; and (iii) the Proposed Issue is completed on or before the Record Date). The estimated net proceeds from the Rights Issue will be not less than approximately HK\$181.8 million (assuming no further issue of new Shares or repurchase of Shares on or before the Record Date) but not more than approximately HK\$237.8 million (assuming (i) no repurchase of Shares; (ii) the maximum number of Options that can be issued pursuant to the Scheme Mandate are granted and exercised in full; and (iii) the Proposed Issue is completed on or before the Record Date).

As at 30 September 2011, the Group had cash and bank balances of approximately HK\$305.2 million. Since then, the Group used these cash and bank balances of approximately HK\$48.1 million to subscribe for shares in Willie, approximately HK\$55.2 million in trading of securities, approximately HK\$9.4 million in its money lending business, approximately HK\$100.6 million in its securities brokerage and margin financing business, and approximately HK\$13.8 million in other general and administrative expenses. Since 30 September 2011, the Group also increased its borrowings by approximately HK\$29.7 million. As at the end of January 2012, the Company had cash and bank balances of approximately HK\$107.8 million and total outstanding short-term borrowings of approximately HK\$230.0 million (resulting in a net debt balance of approximately HK\$122.2 million).

In relation to working capital management policies, the Company monitors its daily operations with an aim to save costs and to maintain a cash and bank balance which allows the Company to meet day-to-day expenses as well as short-term liquidity needs. Should any liquidity needs arise, the Company will identify appropriate sources of financing, either by way of internal resources or external borrowings or funding.

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## LETTER FROM THE BOARD

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In relation to investment policies, the Company makes strategic investments as well as investments in marketable securities. For strategic investments, the Company aims to create and realize shareholders' value through making investments into companies or projects (with or without management and operational rights) that have promising outlooks and prospects, in particular, companies and projects in the financial services sector. The Company's selection criteria for making strategic investments include: (i) potential for appreciation in value; (ii) whether there is potential for achieving synergies; (iii) investment opportunities in the financial services sector are preferred; (iv) outlook for the industry which the target is engaged in; and (v) size of the target relative to size of the Group. For marketable securities, the Company aims to achieve capital appreciation by investing into marketable securities with potential for positive investment returns.

The Company, as always, is continuously and actively exploring various means to deepen, strengthen and broaden its focus on the financial services sector. As described in the Company's 2011 Interim Report, the Company is also examining different initiatives to reinforce and sharpen such focus. Separately, the Company believes that the current market conditions present an excellent window of opportunity to make investments in marketable securities in order to capture potential upside.

As a result of the foregoing, the Company intends to apply the net proceeds from the Rights Issue towards general working capital with an amount of approximately HK\$5 million and substantially for: (a) providing funding support to the Group's securities brokerage business with an amount ranging from approximately HK\$68 million to HK\$98 million if the minimum net proceeds from the Rights Issue are raised or approximately HK\$91 million to HK\$131 million if the maximum net proceeds from the Rights Issue are raised, (b) strategic investments in areas such as financial planning, insurance brokerage and corporate finance services with an amount of approximately HK\$10 million, and (c) investments in marketable securities for potential capital appreciation with an amount ranging from approximately HK\$69 million to HK\$99 million if the minimum net proceeds from the Rights Issue are raised or approximately HK\$92 million to HK\$132 million if the maximum net proceeds from the Rights Issue are raised.

Securities brokerage is a capital intensive industry. Since Freeman Securities Limited ("FSL") became a subsidiary of the Group in July 2011, the Company has on various occasions injected additional capital into FSL. FSL's issued share capital has grown from HK\$56 million (before it became our subsidiary) to HK\$171 million as at the end of January 2012. In respect of the securities brokerage business mentioned under (a) above, FSL is in the process of expanding its client base in terms of number of clients, trading volume and asset value so as to increase FSL's market share and interest income from margin financing activities. Meanwhile, FSL is planning to allocate additional resources to marketing campaigns given the increasing competition in Hong Kong's securities brokerage industry. FSL is also continuously making investments in and improvements to its trading and computer systems. Moreover, FSL intends to take advantage of any revival or increase in fund-raising activities by listed companies through winning mandates to act as placing agent and/or underwriter on a larger number of corporate fund-raising transactions.

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## LETTER FROM THE BOARD

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In respect of the strategic investments mentioned under (b) above, the Professional Insurance Brokers Association has approved the membership application from Harvest Financial Services Limited (“Harvest”), a wholly-owned subsidiary of the Company. The Company (through Harvest) intends to continue its insurance brokerage business as well as commence the provision of financial planning and related services shortly. Due to their lackluster performance, the Company disposed of three companies which were engaged in the insurance brokerage business in September 2011. With (i) a new management team for the insurance brokerage and financial planning business having been put in place, (ii) new corporate and brand image to be launched under the new name “Harvest”, (iii) widening of scope from traditional life and general insurance to financial planning with expanded product and service offerings (including investment-linked products), and (iv) a less volatile economic environment as compared to the second half of 2011, the Company believes that there will be greater business opportunities, higher customer satisfaction and improved financial performance for this business. In respect of corporate finance services, the Company is in the process of hiring key personnel and expects to commence business upon applying for and obtaining relevant approvals from the Securities and Futures Commission. In addition to growing the insurance brokerage, financial planning and corporate finance businesses organically through making strategic investments in companies newly formed by the Group, the Company is also examining the possibility of acquiring companies engaged in the same lines of businesses. However, no target has yet materialized as at the Latest Practicable Date.

In respect of investments in marketable securities mentioned under (c) above, the Company intends to invest mainly in equity, equity-related and/or debt securities in listed companies in Hong Kong and other major securities markets around the world. The Company also intends to maintain a diversified investment portfolio both in terms of the number of investee companies as well as the industries in which the investee companies operate, in order to manage the Company’s exposure to different companies and different industries. The Company will focus on making investments in companies with promising growth prospects and/or which are trading at a discount to net asset value, with the primary investment objective of achieving capital appreciation. Having said that, the Company will also consider making investment opportunistically in special situations (for example, where securities are trading at distressed levels or where trading resumption is imminent following a prolonged period of trading suspension). The Company monitors closely the global and local capital markets, and makes investment decisions and/or modifications to its investment plan based on a multitude of factors including the general investment and economic environment, stock market conditions as well as the latest developments surrounding its investee companies and investment targets.

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## LETTER FROM THE BOARD

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Assuming the maximum proceeds of the Rights Issue is raised and the maximum of approximately HK\$132 million is used to invest in marketable securities, this will only represent approximately 16% of the value of the Group's investments at fair value through profit or loss of approximately HK\$825 million as disclosed in the Company's 2011 Interim Report, and approximately 15% after taking into account the approximately HK\$55.2 million used in the trading of securities between 1 October 2011 and 31 January 2012 mentioned above. Whilst the Hong Kong stock market has rebounded during recent months from the slump in the second half of 2011, the Hang Seng Index has yet to reach the highest levels achieved in 2011, not to mention the pre-financial tsunami levels. As a result, the Company believes that using part of the proceeds from the Rights Issue to invest into marketable securities will allow the Company to average down investment costs to "recoup" part of the historical losses as well as to reap potential valuation upside assuming the capital markets continue to stabilize and improve. As at the Latest Practicable Date, however, the Company has not identified any investment target, and has not determined the specific amount of investment to be made in any one company and the timing of any such investment that will be invested into using the proceeds from the Rights Issue.

The Board considers that it is prudent to finance the Group's long-term growth by long-term financing, preferably in the form of equity. The Board also believes that the Rights Issue will enable the Group to strengthen its capital base and to enhance its financial position. The Rights Issue will give the Qualifying Shareholders the opportunity to maintain their respective pro-rata shareholding interests in the Company and to continue to participate in the future development of the Group. Accordingly, the Board considers that fund raising through the Rights Issue is in the interests of the Company and the Shareholders as a whole.

## LETTER FROM THE BOARD

### SHAREHOLDING STRUCTURE OF THE COMPANY

Set out below is the shareholding structure of the Company after taking into account (amongst others) the effect of the Rights Issue.

#### Scenario 1:

After taking into account the irrevocable undertakings given by Mr. Andrew Liu and Willie, and assuming the Capital Reorganisation has become effective and no further issue of new Shares or repurchase of Shares on or before the Record Date:

Shareholders	As at the Latest Practicable Date		Assuming the Capital Reorganisation has become effective		Immediately after completion of the Rights Issue assuming the Rights Shares are subscribed for in full		Immediately after completion of the Rights Issue assuming no Qualifying Shareholders (except Mr. Andrew Liu and Willie Group) takes up any of the Rights Shares and the Underwriters and subscribers procured by them take up the Rights Shares to the maximum extent	
	<i>Number of Shares</i>	<i>Approximate %</i>	<i>Number of Shares</i>	<i>Approximate %</i>	<i>Number of Shares</i>	<i>Approximate %</i>	<i>Number of Shares</i>	<i>Approximate %</i>
Andrew Liu ( <i>Note 1</i> )	1,034,118,634	21.94	206,823,726	21.94	620,471,178	21.94	620,471,178	21.94
Au Shuk Yee, Sue ( <i>Note 2</i> )	1,229,000	0.03	245,800	0.03	737,400	0.03	245,800	0.01
Chung Nam and sub-underwriters and subscribers procured by them ( <i>Note 3</i> )	448	0.00	89	0.00	267	0.00	714,121,649	25.25
Get Nice and sub-underwriters and subscribers procured by them ( <i>Note 3</i> )	-	-	-	-	-	-	714,121,560	25.25
Willie Group ( <i>Note 4</i> )	108,975,000	2.31	21,795,000	2.31	65,385,000	2.31	65,385,000	2.31
Other Shareholders	3,569,378,348	75.72	713,875,671	75.72	2,141,627,013	75.72	713,875,671	25.24
<b>Total</b>	<b>4,713,701,430</b>	<b>100.00</b>	<b>942,740,286</b>	<b>100.00</b>	<b>2,828,220,858</b>	<b>100.00</b>	<b>2,828,220,858</b>	<b>100.00</b>

## LETTER FROM THE BOARD

### Scenario 2:

After taking into account the irrevocable undertakings given by Mr. Andrew Liu and Willie, and assuming (a) the Capital Reorganisation has become effective, (b) no repurchase of Shares and (c) further issue of new Shares upon (i) the granting and exercise in full of the maximum number of Options that can be issued pursuant to the Scheme Mandate; and (ii) completion of the Proposed Issue on or before the Record Date:

Shareholders	As at the Latest Practicable Date		Assuming the Capital Reorganisation has become effective		Assuming no repurchase of Shares and further issue of new Shares upon (i) the granting and exercise in full of the maximum number of Options that can be issued pursuant to the Scheme Mandate; and (ii) completion of the Proposed Issue on or before the Record Date		Immediately after completion of the Rights Issue assuming the Rights Shares are subscribed for in full		Immediately after completion of the Rights Issue assuming no Qualifying Shareholders (except Mr. Andrew Liu and Willie Group) takes up any of the Rights Shares and the Underwriters and subscribers procured by them take up the Rights Shares to the maximum extent	
	Number of Shares	Approximate %	Number of Shares	Approximate %	Number of Shares	Approximate %	Number of Shares	Approximate %	Number of Shares	Approximate %
Andrew Liu (Note 1)	1,034,118,634	21.94	206,823,726	21.94	206,823,726	16.88	620,471,178	16.88	620,471,178	16.88
Au Shuk Yee, Sue (Note 2)	1,229,000	0.03	245,800	0.03	245,800	0.02	737,400	0.02	245,800	0.00
Chung Nam and sub-underwriters and subscribers procured by them (Note 3)	448	0.00	89	0.00	89	0.00	267	0.00	808,395,677	21.99
Get Nice and sub-underwriters and subscribers procured by them (Note 3)	-	-	-	-	-	-	-	-	808,395,588	21.99
Holders of Shares pursuant to exercise of Options issued under the Scheme Mandate	-	-	-	-	94,274,028	7.69	282,822,084	7.69	94,274,028	2.56
Willie Group (Note 4)	108,975,000	2.31	21,795,000	2.31	210,343,057	17.16	631,029,171	17.16	631,029,171	17.16
Other Shareholders	3,569,378,348	75.72	713,875,671	75.72	713,875,671	58.25	2,141,627,013	58.25	713,875,671	19.42
<b>Total</b>	<b>4,713,701,430</b>	<b>100.00</b>	<b>942,740,286</b>	<b>100.00</b>	<b>1,225,562,371</b>	<b>100.00</b>	<b>3,676,687,113</b>	<b>100.00</b>	<b>3,676,687,113</b>	<b>100.00</b>

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## LETTER FROM THE BOARD

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*Notes:*

1. Mr. Andrew Liu is a non-executive Director. As at the Latest Practicable Date, Mr. Andrew Liu has given an irrevocable undertaking to the Company and details of which are set out in the section headed “Irrevocable Undertakings”.
2. Ms. Au Shuk Yee, Sue is an executive Director.
3. As at the Latest Practicable Date, the Company owns an approximately 32.26% indirect shareholding interest in Chung Nam, and Chung Nam is consequently an associate of the Company.

Each of the Underwriters has undertaken with the Company that (i) it shall use all reasonable endeavours to procure that each of its sub-underwriters and subscribers or purchasers of Underwritten Shares procured by it under the Underwriting Agreement as well as subscribers or purchasers procured by its sub-underwriters shall be third party independent of, not acting in concert with and not connected with the Directors, chief executive or substantial Shareholders (within the meaning of the Listing Rules) of the Company or their respective associates; (ii) it will, and will cause its sub-underwriters to, procure independent subscribers or purchasers take up such number of Rights Shares (a) as necessary to ensure that the public float requirements under Rule 8.08 of the Listing Rules are complied with by the Company and (b) such that it, its sub-underwriters and the subscribers or purchasers procured by it and by its sub-underwriters shall not, together with party(ies) acting in concert with each of them, hold 29.9% or more of the voting rights of the Company upon completion of the Rights Issue.

The Company has been informed by the Underwriters that the Underwriters have already entered into sub-underwriting agreements with sub-underwriters to ensure the minimum public float requirements would be met.

4. As at the Latest Practicable Date, Willie has given an irrevocable undertaking to the Company and details of which are set out in the section headed “Irrevocable Undertakings”.

Pursuant to the Share Subscription Agreement, the Company agreed to use its reasonable endeavours and co-operate to ensure the fulfilment of the conditions for the issue of the 188,548,057 Adjusted Shares to Willie by 31 March 2012.

Below are the conditions precedents of the Proposed Issue as disclosed in the Company’s circular dated 30 November 2011:

- (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 Grand Court of the Cayman Islands;

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## LETTER FROM THE BOARD

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- (iv) the Capital Reorganisation having become effective, and compliance with any conditions imposed by the Grand Court of the Cayman Islands 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 Share 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 Share Subscription Agreement and completion of the transactions contemplated under the Share Subscription Agreement by the Company having been obtained.

As at the Latest Practicable Date, except (iv), all the conditions precedents mentioned above have been satisfied. As stated in the Company's announcement on 16 March 2012, the Grand Court of the Cayman Islands approved the Adjustment Proposal at a hearing on 15 March 2012 (Cayman time). Upon registration of the order granted by the Grand Court of the Cayman Islands confirming the Adjustment Proposal and the minutes approved by the Grand Court of the Cayman Islands with the Registrar of Companies of Cayman Islands which is expected to take place between 4:00 p.m. on 20 March 2012 (Hong Kong time) and 9:00 a.m. on 21 March 2012 (Hong Kong time), the Capital Reorganisation will become effective. Accordingly, the Company expects the allotment of the Adjusted Shares to Willie pursuant to the Share Subscription Agreement will be completed prior to or on the Record Date.

As the Proposed Issue and the Rights Issue are not inter-conditional on each other, the Proposed Issue will still proceed even if it can only be completed after the Record Date.

### IMPLICATIONS UNDER THE LISTING RULES

An EGM will be convened for Independent Shareholders to consider and, if thought fit, pass the resolution to approve the Rights Issue. As at the Latest Practicable Date, to the best knowledge, information and belief of the Directors, Get Nice does not hold any Existing Share and Chung Nam holds 448 Existing Shares, representing approximately 0.00001% of the entire issued share capital of the Company. As Get Nice and Chung Nam are parties to the Underwriting Agreement, they have material interests in the Rights Issue. Get Nice and Chung Nam, to the extent they hold Shares at the EGM, will be required to abstain from voting in favour of the proposed resolution to approve the Rights Issue at the EGM.



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## LETTER FROM THE BOARD

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In compliance with Rule 7.19(6) of the Listing Rules, the Rights Issue is conditional on the approval of the Independent Shareholders by way of poll at the EGM. The Company does not have any controlling Shareholder. As at the Latest Practicable Date, Ms. Au Shuk Yee, Sue, being an executive Director who holds 1,229,000 Existing Shares (representing approximately 0.03% of the entire issued share capital of the Company as at the Latest Practicable Date) and Mr. Andrew Liu, being a non-executive Director who holds 1,034,118,634 Existing Shares (representing approximately 21.94% of the entire issued share capital of the Company as at the Latest Practicable Date), together with their respective associates will abstain from voting in favour of the proposed resolution approving the Rights Issue at the EGM in compliance with Rule 7.19(6) of the Listing Rules.

An independent board committee of the Company comprising all the independent non-executive Directors has been appointed to make recommendations to the Independent Shareholders in respect of the Rights Issue. Guangdong Securities has been appointed to advise the Independent Board Committee of the Company and the Independent Shareholders in this regard.

### **GENERAL**

Subject to the approval of the Rights Issue by the Independent Shareholders at the EGM, the Company expects to despatch the Prospectus Documents to the Qualifying Shareholders on the Posting Date. The Company will, to the extent reasonably practicable, despatch the Prospectus to the Non-Qualifying Shareholders, if any, for their information only. No PAL or EAF will be despatched to the Non-Qualifying Shareholders.

### **EGM**

The notice convening the EGM is set out on pages 82 to 84 of this circular. The EGM will be convened at 30th Floor, China United Centre, 28 Marble Road, North Point, Hong Kong at 3:30 p.m. on Tuesday, 3 April 2012 for the purpose of, considering and, if thought fit, to approve the Rights Issue.

A form of proxy for use at the EGM is enclosed. Whether or not you are able to attend the meeting in person, please complete the accompanying form of proxy in accordance with the instructions printed thereon and return the same to Tricor Secretaries Limited, the Company's share registrar in Hong Kong at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for holding of the EGM. Completion and return of a form of proxy will not preclude you from attending and voting in person at the meeting or any adjournment thereof should you so wish.

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## LETTER FROM THE BOARD

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### RECOMMENDATION

You are advised to read carefully the letter from the Independent Board Committee and the letter from Guangdong Securities set out on page 33 and pages 34 to 54 respectively of this circular. The Independent Board Committee, having taken into account the advice of Guangdong Securities, considers that the terms of the Rights Issue are fair and reasonable so far as the Company and the Independent Shareholders are concerned and the Rights Issue is in the interests of the Company and the Shareholders as a whole. Accordingly, the Independent Board Committee recommends the Independent Shareholders to vote in favour of the proposed ordinary resolution approving the Rights Issue at the EGM.

The Directors believe that the Rights Issue is in the interests of the Group and the Shareholders as a whole, and accordingly, the Directors recommend the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the EGM.

### ADDITIONAL INFORMATION

Your attention is drawn to the additional information set out in the appendices to this circular.

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

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## LETTER FROM THE INDEPENDENT BOARD COMMITTEE

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*The following is the full text of the letter of recommendation, prepared for the purpose of incorporation in this circular, from the Independent Board Committee to the Independent Shareholders regarding the Rights Issue:*



### **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)**

19 March 2012

*To the Independent Shareholders*

Dear Sir or Madam,

### **PROPOSED RIGHTS ISSUE ON THE BASIS OF TWO RIGHTS SHARES FOR EVERY SHARE HELD ON THE RECORD DATE**

We refer to the circular of the Company dated 19 March 2012 (the “**Circular**”) of which this letter forms part. Unless the context specifies otherwise, capitalised terms used herein have the same meanings as defined in the Circular.

We have been appointed by the Board to advise the Independent Shareholders as to whether the terms of the Rights Issue are fair and reasonable insofar as the Independent Shareholders are concerned and whether the Rights Issue is in the interests of the Company and the Shareholders as a whole and to advise the Independent Shareholders on how to vote. Guangdong Securities has been appointed as the Independent Financial Adviser to advise you and us in this respect.

Having taken into account the principal reasons and factors considered by, and the advice of, Guangdong Securities as set out in its letter of advice to you and us on pages 34 to 54 of the Circular, we are of the opinion that the Rights Issue is in the interests of the Company and the Shareholders as a whole and the terms of which are fair and reasonable insofar as the Company and the Independent Shareholders are concerned. Accordingly, we recommend the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the EGM to approve the Rights Issue.

Yours faithfully,

For and on behalf of

**Independent Board Committee**

**Mr. Gary Drew Douglas**

**Mr. Peter Temple**

**Dr. Agustin V. Que**

**Mr. Frank H., Miu**

**Whitelam**

*Independent non-executive Directors*

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## LETTER FROM GUANGDONG SECURITIES

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*Set out below is the text of a letter received from Guangdong Securities, the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders regarding the Rights Issue for the purpose of inclusion in this circular.*



Units 2505-06, 25/F.  
Low Block of Grand Millennium Plaza  
181 Queen's Road Central  
Hong Kong

19 March 2012

*To: The independent board committee and the independent shareholders  
of Freeman Financial Corporation Limited*

Dear Sirs,

### **PROPOSED RIGHTS ISSUE ON THE BASIS OF TWO RIGHTS SHARES FOR EVERY ADJUSTED SHARE HELD ON THE RECORD DATE**

#### **INTRODUCTION**

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in relation to the Rights Issue, details of which are set out in the letter from the Board (the “**Board Letter**”) contained in the circular dated 19 March 2012 issued by the Company to the Shareholders (the “**Circular**”), of which this letter forms part. Terms used in this letter shall have the same meanings as defined in the Circular unless the context requires otherwise.

On 19 January 2012, the Board announced its proposed Rights Issue on the basis of two Rights Shares for every Adjusted Share held on the Record Date at the Subscription Price of HK\$0.10 per Rights Share, thereby raising net proceeds of not less than approximately HK\$181.8 million (assuming no further issue of new Shares or repurchase of Shares on or before the Record Date) and not more than approximately HK\$237.8 million (assuming (i) no repurchase of Shares; (ii) the maximum number of Options that can be issued pursuant to the Scheme Mandate is granted and exercised in full; and (iii) the Proposed Issue is completed on or before the Record Date), by issuing not less than 1,885,480,572 Rights Shares and not more than 2,451,124,742 Rights Shares to the Qualifying Shareholders.

The Rights Shares, other than those which have been irrevocably undertaken to be accepted under the irrevocable undertakings given by Mr. Andrew Liu and Willie (the “**Irrevocable Undertaking(s)**”), are fully underwritten by the Underwriters. The Directors confirmed that the terms of the Rights Issue were agreed after arm's length negotiations among the Company and the Underwriters.

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## LETTER FROM GUANGDONG SECURITIES

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The Rights Issue is conditional on the approval of the Independent Shareholders by way of poll at the EGM. As at the Latest Practicable Date, Get Nice did not hold any Existing Shares while Chung Nam was a Shareholder. As Get Nice and Chung Nam are parties to the Underwriting Agreement, they have material interests in the Rights Issue. Get Nice and Chung Nam, to the extent that they hold Shares at the EGM, will thus be required to abstain from voting in favour of the proposed resolution to approve the Rights Issue at the EGM.

Furthermore, in accordance with Rule 7.19(6) of the Listing Rules, any controlling shareholders (as defined under the Listing Rules) of the Company and their associates or, where there are no controlling shareholders, the Directors (excluding independent non-executive Directors) and chief executive of the Company, and their respective associates shall abstain from voting in favour of the resolution relating to the Rights Issue. As at the Latest Practicable Date, Ms. Au Shuk Yee, Sue and Mr. Andrew Liu, both being the Directors, were Shareholders. Accordingly, Ms. Au Shuk Yee, Sue and Mr. Andrew Liu, together with their respective associates will abstain from voting in favour of the proposed resolution approving the Rights Issue at the EGM.

An Independent Board Committee comprising Mr. Gary Drew Douglas, Mr. Peter Temple Whitelam, Dr. Agustin V. Que and Mr. Frank H., Miu, all being independent non-executive Directors, has been formed to advise the Independent Shareholders on (i) whether the terms of each of the Rights Issue and the Underwriting Agreement are fair and reasonable so far as the Independent Shareholders are concerned; (ii) whether the Rights Issue is in the interests of the Company and the Shareholders as a whole; and (iii) how the Independent Shareholders should vote on the relevant resolution to approve the Rights Issue at the EGM. We, Guangdong Securities Limited, have been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this respect.

### **BASIS OF OUR OPINION**

In formulating our opinion to the Independent Board Committee and the Independent Shareholders, we have relied on the statements, information, opinions and representations contained or referred to in the Circular and the information and representations as provided to us by the Directors. We have assumed that all information and representations that have been provided by the Directors, for which they are solely and wholly responsible, are true and accurate at the time when they were made and continue to be so as at the Latest Practicable Date. We have also assumed that all statements of belief, opinion, expectation and intention made by the Directors in the Circular were reasonably made after due enquiry and careful consideration. We have no reason to suspect that any material facts or information have been withheld or to doubt the truth, accuracy and completeness of the information and facts contained in the Circular, or the reasonableness of the opinions expressed by the Company, its advisers and/or the Directors, which have been provided to us. We consider that we have taken sufficient and necessary steps on which to form a reasonable basis and an informed view for our opinion in compliance with Rule 13.80 of the Listing Rules.

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## LETTER FROM GUANGDONG SECURITIES

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The Directors have collectively and individually accepted full responsibility for the accuracy of the information contained in the Circular and have confirmed, having made all reasonable enquiries, which to the best of their knowledge and belief, that there are no other facts the omission of which would make any statement in the Circular misleading.

We consider that we have been provided with sufficient information to reach an informed view and to provide a reasonable basis for our opinion. We have not, however, conducted any independent in-depth investigation into the business and affairs of the Company, the Underwriters, Mr. Andrew Liu, the Willie Group or their respective subsidiaries or associates, nor have we considered the taxation implication on the Group or the Shareholders as a result of the Rights Issue. Our opinion is necessarily based on the financial, economic, market and other conditions in effect and the information made available to us as at the Latest Practicable Date. Shareholders should note that subsequent developments (including any material change in market and economic conditions) may affect and/or change our opinion and we have no obligation to update this opinion to take into account events occurring after the Latest Practicable Date or to update, revise or reaffirm our opinion. In addition, nothing contained in this letter should be construed as a recommendation to hold, sell or buy any Shares or any other securities of the Company.

### **PRINCIPAL FACTORS AND REASONS CONSIDERED**

In arriving at our opinion in respect of the Rights Issue, we have taken into consideration the following principal factors and reasons:

**(1) Background of and reasons for the Rights Issue**

*Business overview of the Group*

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

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## LETTER FROM GUANGDONG SECURITIES

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Set out below are the financial information of the Group for the six months ended 30 September 2011 and each of the two years ended 31 March 2011 as extracted from the Company's interim report for the six months ended 30 September 2011 (the "2011 Interim Report") and the Company's annual report for the year ended 31 March 2011 (the "2011 Annual Report"):

	For the six months ended 30 September 2011 <i>HK\$'000</i> <i>(unaudited)</i>	For the year ended 31 March 2011 <i>HK\$'000</i> <i>(audited)</i>	For the year ended 31 March 2010 <i>HK\$'000</i> <i>(audited)</i>	% change from the year ended 31 March 2010 to the year ended 31 March 2011 %
Revenue	19,706	89,630	169,570	(47.14)
– Trading of securities	(1,925)	(62,498)	79,928	(178.19)
– Provision of finance	9,428	41,642	23,925	74.05
– Property holding and investment	288	7,467	3,997	86.82
– Insurance brokerage business	3,983	2,021	1,980	2.07
– Investment holding	5,974	–	–	–
– Securities brokerage, placing, underwriting and margin financing	1,958	100,998	59,740	69.06
Profit/(Loss) for the period/year	(400,378)	(171,498)	303,860	(156.44)
	<b>As at 30 September 2011 <i>HK\$'000</i> <i>(unaudited)</i></b>	<b>As at 31 March 2011 <i>HK\$'000</i> <i>(audited)</i></b>	<b>As at 31 March 2010 <i>HK\$'000</i> <i>(audited)</i> <i>(restated)</i></b>	
Net assets	2,105,647	2,501,824	2,041,010	
Cash and bank balances	305,240	382,624	170,249	

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## LETTER FROM GUANGDONG SECURITIES

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From the above table, we noted that the Group's revenue for the year ended 31 March 2011 reduced by approximately 47.14% as compared to the year ended 31 March 2010. As referred to in the 2011 Annual Report, during the financial year under review, the financial market was volatile and thus the performance of the Group had been weakened. The Group's income from trading of securities included both income from sales of trading securities as well as dividend income from trading investments, which had either recorded a loss or a decrease for the year ended 31 March 2011. As also referred to in the 2011 Annual Report, due to mainly the loss from the sales of trading securities coupled with the potential disposal of the Company's equitable interest in Liu's Holdings Limited, the Group suffered from net loss of approximately HK\$171.50 million for the year ended 31 March 2011. The Group continued to record net loss of approximately HK\$400.38 million for the six months ended 30 September 2011, which was mainly attributable to the significant realised and unrealised loss from its securities trading business.

For the six months ended 30 September 2011, the Group acquired 100% interest in Freeman Securities Limited ("FSL") (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 its business arms of this segment. With reference to the 2011 Interim Report, the Group's interest income from provision of finance decreased during the period under review as the business of provision of finance became more competitive as a result of treasury funds overflowing from sizeable banks and other financial institutions.

According to the 2011 Interim Report and as further confirmed by the Directors, the Group remains optimistic about the prospects of the financial market with the diversification of its business arms in the securities brokerage segment. The Group will continue to actively explore various means to strengthen and broaden its focus on the financial services sector, which includes making investments with a view to engage in the provision of corporate finance advisory services, as well as continuing the insurance brokerage business and widening its scope to include financial planning and related services. Moreover, the Company believes that the current market conditions present an excellent window of opportunity to make investments in marketable securities in order to capture the potential upside.



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## LETTER FROM GUANGDONG SECURITIES

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### *Reasons for the Rights Issue*

As extracted from the Board Letter, the Board considers that it is prudent to finance the Group's long-term financing, preferably in the form of equity. The Board also believes that the Rights Issue will enable the Group to strengthen its capital base and to enhance its financial position. The Rights Issue will also give Qualifying Shareholders the opportunity to maintain their respective pro-rata shareholding interests in the Company and to continue to participate in the future development of the Group. Accordingly, the Board considers that fund raising through the Rights Issue is in the interests of the Company and the Shareholders as a whole.

As advised by the Directors, the Group had cash and bank balances of approximately HK\$305.2 million as at 30 September 2011. Since then, the Group used these cash and bank balances of approximately HK\$48.1 million to subscribe for shares in Willie, approximately HK\$55.2 million in trading of securities, approximately HK\$9.4 million in its money lending business, approximately HK\$100.6 million in its securities brokerage and margin financing business, and approximately HK\$13.8 million in other general and administrative expenses. Since 30 September 2011, the Group also increased its borrowings by approximately HK\$29.7 million. As at the end of January 2012, the Company had cash and bank balances of approximately HK\$107.8 million and total outstanding short-term borrowings of approximately HK\$230.0 million, resulting in a net debt balance of approximately HK\$122.2 million.

Upon our discussion with the Directors, we understand that in relation to working capital management policies, the Company monitors its daily operations with an aim to save costs and to maintain a cash and bank balance which allows the Company to meet day-to-day expenses as well as short-term liquidity needs. Should any liquidity needs arise, the Company will identify appropriate sources of financing, either by way of internal resources or external borrowings or funding. On the other hand, in relation to investment policies, the Company makes strategic investments as well as investments in marketable securities. For strategic investments, the Company aims to create and realise Shareholders' value through making investments into companies or projects (with or without management and operational rights) that have promising outlooks and prospects, in particular, companies and projects in the financial services sector. The Company's selection criteria for making strategic investments include: (i) potential for appreciation in value; (ii) whether there is potential for achieving synergies; (iii) investment opportunities in the financial services sector are preferred; (iv) outlook for the industry which the target is engaged in; and (v) size of the target relative to size of the Group. For marketable securities, the Company aims to achieve capital appreciation by investing into marketable securities with potential for positive investment returns.

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## LETTER FROM GUANGDONG SECURITIES

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As further extracted from the Board Letter, the estimated net proceeds from the Rights Issue will be not less than approximately HK\$181.8 million (assuming no further issue of new Shares or repurchase of Shares on or before the Record Date) and not more than approximately HK\$237.8 million (assuming (i) no repurchase of Shares; (ii) the maximum number of Options that can be issued pursuant to the Scheme Mandate is granted and exercised in full; and (iii) the Proposed Issue is completed on or before the Record Date). Based on the latest liquidity position and development strategies of the Group as presented in the foregoing paragraphs, the Company intends to apply such net proceeds from the Rights Issue towards general working capital with an amount of approximately HK\$5 million and substantially for: (a) providing funding support to the Group's securities brokerage business with an amount ranging from approximately HK\$68 million to HK\$98 million if the minimum net proceeds from the Rights Issue are raised or approximately HK\$91 million to HK\$131 million if the maximum net proceeds from the Rights Issue are raised; (b) strategic investments in areas such as financial planning, insurance brokerage and corporate finance services with an amount of approximately HK\$10 million; and (c) investments in marketable securities for potential capital appreciation with an amount ranging from approximately HK\$69 million to HK\$99 million if the minimum net proceeds from the Rights Issue are raised or approximately HK\$92 million to HK\$132 million if the maximum net proceeds from the Rights Issue are raised.

As further advised by the Directors, securities brokerage is a capital intensive industry and since FSL became a subsidiary of the Group in July 2011, the Company has on various occasions injected additional capital into FSL. FSL's issued share capital has grown from HK\$56 million (before it became the Group's subsidiary) to HK\$171 million as at the end of January 2012. In respect of the securities brokerage business mentioned under (a) above, FSL is in the process of expanding its client base in terms of number of clients, trading volume and asset value so as to increase FSL's market share and interest income from margin financing activities. Meanwhile, FSL is planning to allocate additional resources to marketing campaigns given the increasing competition of Hong Kong's securities brokerage industry. FSL is also continuously making investments in and improvements to its trading and computer systems. Moreover, FSL intends to take advantage of any revival or increase in fund-raising activities by listed companies through winning mandates to act as placing agent and/or underwriter on a larger number of corporate fund-raising transactions.

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## LETTER FROM GUANGDONG SECURITIES

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According to the Directors, in respect of the strategic investments as mentioned under (b) above, the Professional Insurance Brokers Association has approved the membership application from Harvest Financial Services Limited (“**Harvest**”), a wholly-owned subsidiary of the Company. The Company (through Harvest) intends to continue with its insurance brokerage business as well as to commence the provision of financial planning and related services shortly. Due to their lackluster performance, the Company disposed of three companies which were engaged in the insurance brokerage business in September 2011. With (i) a new management team for the insurance brokerage and financial planning business having been put in place; (ii) new corporate and brand image to be launched under the new name “Harvest”; (iii) widening of scope from traditional life and general insurance to financial planning with expanded product and service offerings (including investment-linked products); and (iv) a less volatile economic environment as compared to the second half of 2011, the Company believes that there will be greater business opportunities, higher customer satisfaction and improved financial performance for this business. In respect of corporate finance services, the Company is in the process of hiring key personnel and expects to commence business upon applying for and obtaining relevant approvals from the Securities and Futures Commission. In addition to expanding the insurance brokerage, financial planning and corporate finance businesses organically through making strategic investments in companies newly formed by the Group, the Company is also examining the possibility of acquiring companies engaged in the same lines of businesses. However, no target had yet materialised as at the Latest Practicable Date.

As confirmed by the Directors, in respect of investments in marketable securities mentioned under (c) above, the Company intends to invest mainly in equity, equity-related and/or debt securities in listed companies in Hong Kong and other major securities markets around the world. The Company also intends to maintain a diversified investment portfolio both in terms of the number of investee companies as well as the industries in which the investee companies operate, in order to manage the Company’s exposure to different companies and different industries. The Company will focus on making investments in companies with promising growth prospects and/or which are trading at a discount to net asset value, with the primary investment objective of achieving capital appreciation. Having said that, the Company will also consider making investment opportunistically in special situations (for example, where securities are trading at distressed levels or where trading resumption is imminent following a prolonged period of trading suspension). The Company monitors closely the global and local capital markets, and makes investment decisions and/or modifications to its investment plan based on a multitude of factors including the general investment and economic environment, stock market conditions as well as the latest developments surrounding its investee companies and investment targets.

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## LETTER FROM GUANGDONG SECURITIES

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As further advised by the Directors, assuming the maximum proceeds of the Rights Issue is raised and the maximum of approximately HK\$132 million is used to invest in marketable securities, this will only represent approximately 16% of the value of the Group's investments at fair value through profit or loss of approximately HK\$825 million as disclosed in the Company's 2011 Interim Report, and approximately 15% after taking into account the approximately HK\$55.2 million used in the trading of securities between 1 October 2011 and 31 January 2012 mentioned in the earlier paragraph of this section. Whilst the Hong Kong stock market has rebounded during recent months from the slump in the second half of 2011, the Hang Seng Index has yet to reach the highest levels achieved in 2011, not to mention the pre-financial tsunami levels. As a result, the Company believes that using part of the proceeds from the Rights Issue to invest into marketable securities will allow the Company to average down investment costs to "recoup" part of the historical losses as well as to reap potential valuation upside assuming the capital markets continue to stabilise and improve. As at the Latest Practicable Date, however, the Company had not identified any investment target, and had not determined the specific amount of investment to be made in any one company and the timing of any such investment that will be invested into using the proceeds from the Rights Issue.

Taking into account the foregoing reasons for the Rights Issue and the intended use of proceeds from the Rights Issue based on the Group's latest liquidity position and development strategies, we are of the opinion that the reasons for the Rights Issue are justifiable.

### *Financing alternatives available to the Group*

As confirmed by the Directors, save as and except for the issue of 188,548,057 Adjusted Shares to Willie for replenishment of working capital of the Company as announced by the Company on 3 October 2011, no other fund raising exercises were carried out by the Group during the twelve-month period immediately preceding the Latest Practicable Date.

In this respect, we have further enquired into the Directors and were informed by the Directors that they have considered debt financing and equity financing as possible financing alternatives available to the Group. For debt financing, since it is expected that the Group would be unable to obtain bank borrowings with favourable terms under the current volatile market condition and given the Group's existing loss making position, the Directors consider debt financing to be less preferable to the Group.

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## LETTER FROM GUANGDONG SECURITIES

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With regard to equity financing, the Directors are of the view that in light of the substantial amount of Adjusted Shares to be issued, any placing exercise, which deprives the rights of the Shareholders to participate in, would cause material dilution effect to the shareholding interests of the existing Shareholders in the Company, and hence would not be in the interest of the Shareholders. In addition, as the Board is confident in the future business development of the Group, the Board would like to provide a chance for all Shareholders to share the potential prospects of the Group. Although both open offer and rights issue would allow all Shareholders to participate in the enlargement of the capital base of the Company and to maintain their proportionate shareholding interests in the Company, the Directors advised us that a rights issue would further allow those Shareholders who do not want to participate in the fund raising of the Company to dispose of their rights shares entitlements in the market in nil-paid form. As a result, the Directors are of the view that it is in the interests of the Company and the Shareholders as a whole to raise fund through the Rights Issue.

Having taken into consideration the aforesaid weaknesses of the other financing alternatives and the possible benefits of the Rights Issue, we concur with the Directors that the Rights Issue is an appropriate financing method currently available to the Company and the Rights Issue is in the interests of the Company and the Shareholders as a whole.

### (2) Principal terms of the Rights Issue

The table below summarises the major terms of the Rights Issue:

<b>Basis of the Rights Issue:</b>	Two Rights Shares for every Adjusted Share held on the Record Date
<b>Number of Existing Shares in issue as at the Latest Practicable Date:</b>	4,713,701,430 Existing Shares
<b>Number of Adjusted Shares in issue assuming the Capital Reorganisation has become effective:</b>	942,740,286 Adjusted Shares ( <i>Note 1</i> )
<b>The Subscription Price:</b>	HK\$0.10 per Right Share

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## LETTER FROM GUANGDONG SECURITIES

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**Number of Rights Shares:** Not less than 1,885,480,572 Rights Shares (assuming no further issue of new Shares or repurchase of Shares on or before the Record Date) and not more than 2,451,124,742 Rights Shares (assuming (i) no repurchase of Shares; (ii) the maximum number of Options that can be issued pursuant to the Scheme Mandate is granted and exercised in full; and (iii) the Proposed Issue is completed on or before the Record Date)  
(Note 2)

*Notes:*

1. Assuming no issue of new Shares or repurchase of Shares prior to the Capital Reorganisation becoming effective (“**Scenario I**”).
2. As at the Latest Practicable Date, the Company had no outstanding convertible securities, options or warrants in issue which confer any right to subscribe for, convert or exchange into Shares.

Assuming the Capital Reorganisation having become effective and (i) no repurchase of Shares; (ii) the maximum number of Options that can be issued pursuant to the Scheme Mandate is granted and exercised in full; and (iii) the Proposed Issue is completed on or before the Record Date, the issued share capital of the Company will be increased by 282,822,085 Adjusted Shares. Accordingly, an additional 565,644,170 Rights Shares would be issued, in which case the maximum number of Rights Shares that may be issued by the Company pursuant to the Rights Issue will increase to 2,451,124,742 (“**Scenario II**”).

The Subscription Price of HK\$0.10 per Rights Share represents:

- (i) a discount of approximately 55.56% to the theoretical closing price of HK\$0.225 per Adjusted Share, based on the closing price of HK\$0.045 per Existing Share as quoted on the Stock Exchange on the Latest Practicable Date and adjusted for the effect of the Capital Reorganisation;
- (ii) a discount of approximately 35.48% to the theoretical closing price of HK\$0.155 per Adjusted Share, based on the closing price of HK\$0.031 per Existing Share as quoted on the Stock Exchange on the Last Trading Day and adjusted for the effect of the Capital Reorganisation;
- (iii) a discount of approximately 36.71% to the average theoretical closing price of approximately HK\$0.158 per Adjusted Share, based on the average closing price of HK\$0.0316 per Existing Share for the five consecutive trading days up to and including the Last Trading Day and adjusted for the effect of the Capital Reorganisation; and

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## LETTER FROM GUANGDONG SECURITIES

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- (iv) a discount of approximately 15.25% to the theoretical ex-rights price of approximately HK\$0.118 per Adjusted Share (the “**Theoretical Ex-rights Price**”), based on the theoretical closing price of HK\$0.155 per Adjusted Share given the closing price of HK\$0.031 per Existing Share as quoted on the Stock Exchange on the Last Trading Day and adjusted for the effect of the Capital Reorganisation.

With reference to the Board Letter, the Subscription Price was determined after arm’s length negotiations among the Company and the Underwriters with reference to the market price of the Existing Shares under the prevailing market conditions. The Directors consider that the terms of the Rights Issue, including the Subscription Price which has been set at a discount to the recent closing prices of the Adjusted Shares as described above with an objective of encouraging the Qualifying Shareholders to take up their entitlements so as to participate in the potential growth of the Company, to be fair and reasonable and in the best interests of the Company and the Shareholders as a whole.

### *Analyses on the Subscription Price*

In order to assess the fairness and reasonableness of the Subscription Price, we set out the following informative analyses for illustrative purpose:

(i) *Review on Share prices*

The highest and lowest closing prices and the average daily closing price of the Shares (after adjusting for the effect of the Capital Reorganisation) in each month during the period commencing from 3 January 2011 up to and including the Latest Practicable Date (the “**Review Period**”), based on information as quoted on the Stock Exchange are shown as follows:

Month	Highest closing price (adjusted) (HK\$)	Lowest closing price (adjusted) (HK\$)	Average daily closing price (adjusted) (HK\$)	No. of trading days in each month
<b>2011</b>				
January	2.000	1.575	1.760	21
February	1.575	1.400	1.500	18
March	1.425	1.325	1.389	23
April	1.400	1.300	1.347	18
May	1.275	0.850	0.985	20
June	0.885	0.585	0.748	21
July	0.655	0.600	0.627	20

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## LETTER FROM GUANGDONG SECURITIES

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Month	Highest closing price (adjusted) (HK\$)	Lowest closing price (adjusted) (HK\$)	Average daily closing price (adjusted) (HK\$)	No. of trading days in each month
August	0.605	0.320	0.443	23
September ( <i>Note 1</i> )	0.355	0.190	0.313	19
October ( <i>Notes 1 &amp; 2</i> )	0.240	0.170	0.196	19
November	0.240	0.140	0.195	22
December	0.170	0.130	0.150	20
<b>2012</b>				
January	0.255	0.155	0.182	18
February	0.270	0.195	0.227	21
March (up to and including the Latest Practicable Date)	0.225	0.200	0.216	11

*Source: the Stock Exchange web-site (www.hkex.com.hk)*

*Notes:*

1. Trading in the Shares was suspended on 27 September 2011 (afternoon session).
2. Trading in the Shares was suspended from 30 September 2011 to 3 October 2011 (both dates inclusive).

During the Review Period, the average daily closing price of the Shares ranged from approximately HK\$0.150 to HK\$1.760 per Share in each month. The highest and lowest closing prices of the Shares as quoted on the Stock Exchange were HK\$2 per Share recorded on 13 January 2011 and HK\$0.130 per Share recorded on 6 December 2011. While the closing prices of the Shares surged to HK\$0.270 per Share on 2 February 2012 after the release of the Announcement on 19 January 2012, the closing prices of the Shares showed a sliding trend in the open market during the Review Period and we noted that the Subscription Price had been below the closing prices of the Shares in the open market during the entire Review Period.



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## LETTER FROM GUANGDONG SECURITIES

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(ii) *Comparison with other rights issue transactions*

As part of our analyses, we have identified those rights issue transactions (the “**Comparables**”) from 1 October 2011 up to the Last Trading Day, being the approximate four-month period prior to and including the Last Trading Day, by companies listed on the main board of the Stock Exchange. To the best of our knowledge and as far as we are aware of, we found 12 transactions with sufficient publicly disclosed information for our analysis purpose which met the said criteria, and they are exhaustive. However, Shareholders should note that the businesses, operations and prospects of the Company are not the same as the Comparables and thus the Comparables are only used to provide a general reference for the common market practice in recent rights issue transactions by main board listed companies in Hong Kong. Summarised below is our relevant finding:

Company name	Stock code	Date of announcement	Discount of the subscription price to closing price per share on the last trading day prior to/on the date of the announcement in relation to the respective rights issue %	Discount of the subscription price to ex-rights price per share based on the closing price per share on the last trading day prior to/on the date of the announcement in relation to the respective rights issue %	Underwriting commission %
Shun Tak Holdings Limited	242	19 January 2012	(35.70)	(28.70)	2.75
Beijing Yu Sheng Tang Pharmaceutical Group Limited	1141	20 December 2011	(84.30)	(48.00)	2.50
PICC Property and Casualty Company Limited	2328	29 November 2011	(47.10)	(44.70)	Information not available
Lai Sun Development Company Limited	488	8 November 2011	(43.00)	(35.00)	3.00

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## LETTER FROM GUANGDONG SECURITIES

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Company name	Stock code	Date of announcement	Discount of the subscription price to theoretical ex-rights price per share based on the closing price per share on the last trading day prior to/on the date of the announcement in relation to the respective rights issue %	Discount of the subscription price to theoretical ex-rights price per share based on the closing price per share on the last trading day prior to/on the date of the announcement in relation to the respective rights issue %	Underwriting commission %
Radford Capital Investment Limited	901	7 November 2011	(67.39)	(29.25)	3.00 <i>(Note)</i>
Dragonite International Limited	329	3 November 2011	(68.75)	(42.31)	3.00
Qin Jia Yuan Media Services Company Limited	2366	27 October 2011	(85.70)	(54.55)	2.50
Success Universe Group Limited	487	25 October 2011	(24.00)	(15.93)	2.50
Sino Golf Holdings Limited	361	21 October 2011	(4.90)	(3.20)	Nil
New World China Land Limited	917	18 October 2011	(33.48)	(25.13)	2.50
New World Development Company Limited	17	18 October 2011	(36.89)	(28.04)	2.50
Unity Investments Holdings Limited	913	11 October 2011	(45.95)	(21.88)	3.00

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## LETTER FROM GUANGDONG SECURITIES

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Company name	Stock code	Date of announcement	Discount of the subscription price to theoretical ex-rights price per share based on the closing price per share on the last trading day prior to/on the date of the announcement in relation to the respective rights issue %	Discount of the subscription price to closing price per share on the last trading day prior to/on the date of the announcement in relation to the respective rights issue %	Underwriting commission %
Highest rate of discount/ Minimum underwriting commission			(85.70)	(54.55)	Nil
Lowest rate of discount/ Maximum underwriting commission			(4.90)	(3.20)	3.00
Average			(48.10)	(31.39)	2.48
The Company	279		(35.48)	(15.25)	3.00

*Source: the relevant announcements posted on the Stock Exchange web-site (www.hkex.com.hk)*

*Note: The underwriting commission is HK\$750,000 plus 3% of the aggregate subscription price of the underwritten shares.*

As shown by the above table, the subscription prices of the Comparables ranged from discounts of approximately 4.90% to 85.70%, with an average of approximately 48.10%, to the respective closing prices of their shares on the last trading days prior to/on the date of the release of the respective rights issue announcements (the “**LTD Market Range**”). The discount of approximately 35.48% to the theoretical closing price of the Adjusted Shares on the Last Trading Day as represented by the Subscription Price (the “**LTD Discount**”) hence falls within the LTD Market Range.

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## LETTER FROM GUANGDONG SECURITIES

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On the other hand, the subscription prices of the Comparables ranged from discounts of approximately 3.20% to 54.55%, with an average of approximately 31.39%, to the respective theoretical ex-rights prices of their shares on the last trading days prior to/on the date of the release of the respective rights issue announcements (the “**TERP Market Range**”). The discount of approximately 15.25% to the Theoretical Ex-rights Price as represented by the Subscription Price (the “**TERP Discount**”) hence falls within the TERP Market Range.

In light of that (i) the LTD Discount falls within the LTD Market Range; (ii) the TERP Discount falls within the TERP Market Range; and (iii) the discount of the Subscription Price would encourage the Qualifying Shareholders to participate in the Rights Issue especially when the price of the Shares showed a sliding trend in the open market during the Review Period, we concur with the Directors that the Subscription Price is fair and reasonable so far as the Independent Shareholders are concerned.

### (3) The Underwriters and the underwriting arrangement

According to the Board Letter, each of Mr. Andrew Liu and Willie has provided the Irrevocable Undertaking to the Company. Shareholders may refer to the section headed “Irrevocable undertakings” of the Board Letter for details of the Irrevocable Undertakings.

The Rights Shares, other than those which have been irrevocably undertaken to be accepted under the Irrevocable Undertakings, are fully underwritten by the Underwriters in the following manner, subject to the terms and conditions of the Underwriting Agreement with an underwriting commission of 3% of the aggregate Subscription Price of the Underwritten Shares actually issued (which underwriting commission shall be divided equally between the Underwriters) as determined on the Record Date (the “**Underwriting Commission**”):

Name	Underwriting commitment	Underwriting commitment
	(assuming that no Options pursuant to the Scheme Mandate are granted and exercised on or prior to the Record Date)	(assuming that all Options pursuant to the Scheme Mandate are granted and exercised on or prior to the Record Date)
Chung Nam	Up to 714,121,560 Rights Shares	Up to 808,395,588 Rights Shares
Get Nice	Up to 714,121,560 Rights Shares	Up to 808,395,588 Rights Shares

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## LETTER FROM GUANGDONG SECURITIES

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The Directors confirmed that the Underwriting Commission was determined after arm's length negotiations among the Company and the Underwriters with reference to the prevailing market rate. The Directors consider that the terms of the Underwriting Agreement (including the Underwriting Commission) are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

From the table under the section headed "Comparison with other rights issue transactions" of this letter, we noted that the Underwriting Commission falls within the range of commissions of 0% to 3% received by underwriters in other rights issue transactions. Having this being the case, we are of the opinion that the Underwriting Commission is not exceptional under common market practice.

#### **(4) Application for excess Rights Shares**

As stated in the Board Letter, Qualifying Shareholders or transferees of the nil-paid Rights Shares may apply, by way of excess application, for any unsold entitlements of the Non-Qualifying Shareholders and for any Rights Shares provisionally allotted but not accepted.

Applications for excess Rights Shares may be made by completing the EAFs and lodging the same with a separate remittance for application for excess Rights Shares being applied for. The Directors will allocate the excess Rights Shares at their discretion on a fair and equitable basis on the principles as stated under the sub-section headed "Application for excess Rights Shares" of the Board Letter. We understand from the Comparables that such arrangement for application for excess Rights Shares is in line with common market practice.

We have also reviewed the other major terms of each of the Rights Issue and the Underwriting Agreement and are not aware of any major terms which are uncommon. Accordingly, we consider that the terms of each of the Rights Issue and the Underwriting Agreement are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned.

#### **(5) Potential dilution of the shareholding interests of the existing public Shareholders**

All Qualifying Shareholders are entitled to subscribe for the Rights Shares. For those Qualifying Shareholders who take up their entitlements in full under the Rights Issue, their proportional shareholding interests in the Company will remain unchanged after the Rights Issue.

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## LETTER FROM GUANGDONG SECURITIES

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Qualifying Shareholders who do not accept the Rights Issue can, subject to the then prevailing market conditions, consider selling their nil-paid rights to subscribe for the Rights Shares in the market. In such case, where all Qualifying Shareholders do not accept the Rights Issue and hence the Underwriters are obligated to take up the unsubscribed Rights Shares, the proportional shareholding interests of the existing public Shareholders (other than Chung Nam and the Willie Group) in the Company will be diluted by the maxima of 50.48 percent point (being the difference between the shareholding interests of the existing public Shareholders (other than Chung Nam and the Willie Group) immediately before and after completion of the Rights Issue of 75.72% and 25.24% respectively and assuming (i) the Capital Reorganisation has become effective; and (ii) no further issue of new Shares or repurchase of Shares on or before the Record Date) and 38.83 percent point (being the difference between the shareholding interests of the existing public Shareholders (other than Chung Nam and the Willie Group) immediately before and after completion of the Rights Issue of 58.25% and 19.42% respectively and assuming (i) the Capital Reorganisation has become effective; (ii) no repurchase of Shares; and (iii) further issue of new Shares upon (a) the granting and exercise in full of the maximum number of Options that can be issued pursuant to the Scheme Mandate; and (b) completion of the Proposed Issue on or before the Record Date). Details of such dilution effect are presented in the table under the section headed “Shareholding structure of the Company” of the Board Letter.

Meanwhile, those Qualifying Shareholders who wish to increase their proportional shareholding interests in the Company through the Rights Issue may (i) subject to availability, acquire additional nil-paid rights in the market; and (ii) apply for the excess Rights Shares since the Rights Issue also allows for excess application of the Rights Shares.

We are aware of the aforementioned potential dilution to the existing public Shareholders’ shareholding interests (other than those held by Chung Nam and the Willie Group) in the Company. Nonetheless, we consider that the foregoing should be balanced against by the following factors:

- Independent Shareholders are offered a chance to express their views on the terms of the Rights Issue and the Underwriting Agreement through their votes at the EGM;
- Qualifying Shareholders have their choice whether to accept the Rights Issue or not;
- Qualifying Shareholders have the opportunity to realise their nil-paid rights to subscribe for the Rights Shares in the market;
- the Rights Issue offers the Qualifying Shareholders a chance to subscribe for their pro-rata Rights Shares for the purpose of maintaining their respective existing shareholding interests in the Company at a relatively low price as compared to the historical and prevailing market price of the Shares; and

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## LETTER FROM GUANGDONG SECURITIES

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- those Qualifying Shareholders who choose to accept the Rights Issue in full can maintain their respective existing shareholding interests in the Company after the Rights Issue.

Having considered the above, we consider the potential dilution effect on the shareholding interests of the existing public Shareholders (other than Chung Nam and the Willie Group), which may only happen when the Qualifying Shareholders do not subscribe for their pro-rata Rights Shares, to be acceptable.

### (6) Financial effects of the Rights Issue

#### *Effect on NTAV*

An unaudited pro forma statement of adjusted consolidated net tangible assets of the Group attributable to the Shareholders based on the unaudited consolidated net tangible asset value (“**NTAV**”) of the Group as at 30 September 2011 as if the Rights Issue had been undertaken and completed on 30 September 2011 is set out in Appendix II to the Circular (the “**Statement**”).

Based on the Statement, the unaudited consolidated NTAV of the Group attributable to the Shareholders was approximately HK\$2,105.31 million as at 30 September 2011. Upon completion of the Rights Issue, the unaudited pro forma adjusted consolidated NTAV of the Group attributable to the Shareholders would increase to approximately HK\$2,287.07 million and HK\$2,343.07 million under Scenario I and Scenario II respectively according to the Statement. Furthermore, the Statement stated that the unaudited consolidated NTAV per Adjusted Share attributable to the Shareholders was approximately HK\$2.23 as at 30 September 2011. Upon completion of the Rights Issue, the unaudited pro forma adjusted consolidated NTAV per Adjusted Share would decrease to approximately HK\$0.81 and HK\$0.64 under Scenario I and Scenario II respectively.

We are of the view that such decrease in the unaudited consolidated NTAV per Adjusted Share upon completion of the Rights Issue is inevitable because the Rights Issue will be issued at a discount to the latest NTAV per Adjusted Share. Given the benefits of the Rights Issue as set forth under the foregoing sections of this letter, and that all Qualifying Shareholders are offered with the same opportunity to enjoy the benefit of subscribing for the Rights Shares at the Subscription Price which is at discount to the market price of the Shares, we consider that such decrease in the unaudited consolidated NTAV per Adjusted Share is acceptable.

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## LETTER FROM GUANGDONG SECURITIES

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### *Effect on gearing*

With reference to the 2011 Interim Report, the gearing ratio of the Group (calculated as the Group's total borrowings over shareholders' funds) was approximately 9.5% as at 30 September 2011. Since the Rights Issue would not increase the total borrowings but would increase the shareholders' funds of the Group, the Directors expect that the Group's gearing ratio would be reduced due to the Rights Issue.

### *Effect on liquidity*

Based on the 2011 Interim Report, the unaudited consolidated cash and bank balances of the Group were approximately HK\$305.24 million as at 30 September 2011. As the Company intends to apply the net proceeds from the Rights Issue towards general working capital and substantially for various business developments of the Group as presented under the section headed "Reasons for the Rights Issue" of this letter, the Group's liquidity position would be improved upon completion of the Rights Issue before those net proceeds are utilised by the Company.

It should be noted that the aforementioned analyses are for illustrative purpose only and do not purport to represent how the financial position of the Group will be upon completion of the Rights Issue.

## RECOMMENDATION

Having taken into account the above principal factors and reasons, we consider that the terms of each of the Rights Issue and the Underwriting Agreement are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned. Furthermore, the Rights Issue is in the interests of the Company and the Shareholders as a whole. Accordingly, we advise the Independent Board Committee to advise the Independent Shareholders, and we advise the Independent Shareholders to vote in favour of the relevant resolution at the EGM to approve the Rights Issue.

Yours faithfully,  
For and on behalf of  
**Guangdong Securities Limited**  
**Graham Lam**  
*Managing Director*



### 1. THREE-YEAR FINANCIAL INFORMATION

Financial information of the Group for each of the three years ended 31 March 2009, 2010 and 2011 are disclosed in the annual reports of the Company for the years ended 31 March 2009 (pages 28 to 129), 2010 (pages 31 to 166) and 2011 (pages 43 to 214) respectively, which are published on both the website of the Stock Exchange ([www.hkex.com.hk](http://www.hkex.com.hk)) and the website of the Company ([www.freeman279.com](http://www.freeman279.com)). The auditors of the Company have not issued any qualified opinion on the Group's financial statements for the financial years ended 31 March 2009, 2010 and 2011.

### 2. UNAUDITED INTERIM RESULTS

The unaudited consolidated financial statements of the Company for the six months ended 30 September 2011 together with the relevant notes to the accounts are disclosed in the interim report of the Company for the six months ended 30 September 2011 (pages 6 to 42), which are published on both the website of the Stock Exchange ([www.hkex.com.hk](http://www.hkex.com.hk)) and the website of the Company ([www.freeman279.com](http://www.freeman279.com)).

### 3. INDEBTEDNESS

#### Statement of Indebtedness

##### *Borrowings*

As at the close of business on 31 January 2012, being the latest practicable date for the purpose of this statement of indebtedness prior to the printing of this circular, the Group had borrowings amounting to approximately HK\$230.0 million.

The following table illustrates the Group's indebtedness as at the close of business on 31 January 2012:

	<i>HK\$'000</i>
<i>Current</i>	
Margin loans, secured	93,980
Other loans, secured	<u>136,005</u>
Total borrowings	<u><u>229,985</u></u>

As at the close of business on 31 January 2012, the Group's total borrowings were secured by certain investments at fair value through profit or loss and an available-for-sale investment (namely, the shares in Willie subscribed by the Company pursuant to the Share Subscription Agreement) held by the Group of approximately HK\$839.5 million.

**Contingent liabilities**

As at the close of business on 31 January 2012, the Group has given guarantees to banks in connection with facilities granted to certain entities owned by the Group's available-for-sale investment with total utilised facilities of approximately HK\$65.4 million. The facilities relate to mortgage loans on properties which were sold to Cordoba Homes Limited as described in the Company's announcement dated 13 April 2011.

**Disclaimer**

Save as disclosed above and apart from intra-group liabilities and normal accounts payable in the ordinary course of business, the Group did not have any loan capital issued and outstanding or agreed to be issued, or any outstanding debt securities, bank overdrafts and liabilities under acceptances or acceptance credits or other similar borrowings, indebtedness, debentures, mortgages, charges, hire purchase commitments, guarantees or other material contingent liabilities as at the close of business on 31 January 2012.

The Directors are not aware of any material adverse changes in the Group's indebtedness position and contingent liabilities since 31 January 2012.

**4. WORKING CAPITAL**

The Directors are of the opinion that, after taking into account the cash flows generated from the operating activities, the financial resources available to the Group including internally generated funds and the estimated net proceeds from the Rights Issue, the Group has sufficient working capital for its present requirements in the next twelve months from the date of this circular.

**5. MATERIAL ADVERSE CHANGE**

As at the Latest Practicable Date, save as disclosed in the interim report for the six months ended 30 September 2011 where the Company recorded a net loss of approximately HK\$400.4 million which was mainly attributable to the significant unrealised fair value loss on securities held for trading of approximately HK\$431.3 million, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 31 March 2011, being the date to which the latest published audited consolidated financial statements of the Group were made up.

**6. BUSINESS REVIEW FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2011****Operation review**

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

**Results review**

The Group recorded a net loss of approximately HK\$400,378,000 for the six months ended 30 September 2011 (the “**Period**”) as compared to net loss of approximately HK\$42,830,000 in the corresponding period of last year. The net loss incurred by the Group for the Period was mainly attributable to realised loss on disposal of its listed investments held for trading and unrealised loss on revaluation of its listed investments. Loss per share of the Company for the Period was HK8.49 cents as compared to loss per share of HK14.83 cents for the same period in 2010.

**Liquidity, financial resources and capital structure**

The Group financed its asset portfolio by internally generated cash resources and fund raising exercises. As at 30 September 2011, the net current assets of the Group amounted to approximately HK\$939,609,000 (As at 31 March 2011: approximately HK\$1,305,367,000) with cash and bank balances of approximately HK\$305,240,000 (As at 31 March 2011: approximately HK\$382,624,000).

As at 30 September 2011, the Group had secured short-term borrowings of approximately HK\$200,294,000 (As at 31 March 2011: HK\$135,121,000 and unsecured long-term borrowings of HK\$200,000,000). The gearing ratio of the Group was decreased to 9.5% as compared to 13.4% as at 31 March 2011 (calculated on the basis of total borrowings over shareholders’ funds). Taking into account of the amount of liquid assets on hand and banking facilities available, the Group has sufficient working capital for its ongoing operational requirements.

The unaudited consolidated net asset value per share of the Company as at 30 September 2011 was HK\$0.45 (As at 31 March 2011: HK\$0.53). The consolidated net asset value per share is calculated based on the net assets of the Group as at 30 September 2011 of approximately HK\$2,105,647,000 (As at 31 March 2011: approximately HK\$2,501,824,000) and the total number of 4,713,701,431 shares (As at 31 March 2011: 4,713,701,431 shares) in issue as at that date.

**7. BUSINESS AND TRADING PROSPECTS**

The Company, as always, is continuously and actively exploring various means to deepen, strengthen and broaden its focus on the financial services sector. The Company is also examining different initiatives to reinforce and sharpen such focus. Separately, the Company believes that the current market conditions present an excellent window of opportunity to make investments in marketable securities in order to capture potential upside.

In conducting business in the financial services sector, the Company is currently operating in the following business segments:

**(i) Provision of securities brokerage services**

FSL became a subsidiary of the Group in July 2011. FSL is mainly engaged in the provision of securities brokerage services (including the provision of underwriting services). For the six months ended 30 September 2011, FSL contributed income from provision of securities brokerage services of approximately HK\$2.0 million to the Group's unaudited consolidated results. Since then, FSL has undertaken a number of sizeable underwriting, sub-underwriting and sub-placing transactions. The Company expects the operating results of this business segment will remain healthy if the global and local economic climate remains stable.

**(ii) Provision of finance**

For the six months ended 30 September 2011, the Group recorded total interest income of approximately HK\$9.4 million from provision of finance. The need by various banks to recapitalise, the new Basel III requirements, the uncertainties surrounding the sovereign debt crisis in Europe and the imposition or continuation of tight monetary policy by various central banks like China are expected to create more business opportunities for the Company to lend money to potential customers at attractive interest rates.

**(iii) Securities trading**

The Group recorded an unaudited consolidated net loss of approximately HK\$400.4 million for the six months ended 30 September 2011 which was mainly attributable to the significant realised and unrealised loss from securities trading business as a result of the market downturn. Nonetheless, the Company maintains a positive longer term outlook for the equities and debt markets and is optimistic that the financial market is enriched with investment opportunities. The economy is cyclical in nature. Following corrections to the global equities market in the second half of 2011, the Company expects the equities and stock markets to continue to gradually rebound as the global economic environment improves. For example, the historical downturns in the Hang Seng Index during the years of 1998, 2003 and 2008 were followed by turnarounds in the latter years. Moreover, Hang Seng Index has rebounded by approximately 25% from October 2011 up to the end of January 2012. The current global environment and stock valuations provide a good opportunity for the Company to acquire marketable securities at attractive prices and reap potential gains for the Company in the future.

**(iv) Investment holding**

The Group has a significant strategic investment in Hennabun Capital Group Limited (“Hennabun”), which is mainly engaged in the provision of a variety of financial services. The above-mentioned factors for different business segments also apply to the financial services provided by Hennabun. As a result, the opportunities and outlook mentioned in (i) to (iii) above also apply to the Group’s strategic investment in Hennabun.

In addition to the above business segments, the Professional Insurance Brokers Association has approved the membership application from Harvest, a wholly-owned subsidiary of the Company. The Company (through Harvest) intends to continue its insurance brokerage business as well as commence the provision of financial planning and related services shortly. In respect of corporate finance services, the Company is in the process of hiring key personnel and expects to commence business upon applying for and obtaining relevant approvals from the Securities and Futures Commission. In addition to growing the insurance brokerage, financial planning and corporate finance businesses organically through making strategic investments in companies newly formed by the Group, the Company is also examining the possibility of acquiring companies engaged in the same lines of businesses. However, no target has yet materialized as at the Latest Practicable Date. The Board will continue to look for investment opportunities which are in the interests of the Company and the Shareholders as well as to strengthen its capital base when opportunities arise.

## 1. STATEMENT OF UNAUDITED PRO FORMA OF ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS OF THE GROUP

### Introduction

The following unaudited pro forma statement of adjusted consolidated net tangible assets of the Group has been prepared by the Directors in accordance with paragraph 29 of Chapter 4 of the Listing Rules to illustrate the effect of the proposed rights issue on the basis of two rights shares for every share held on the record date (the “Rights Issue”) on the unaudited consolidated net tangible assets of the Group as if the Rights Issue had been undertaken and completed on 30 September 2011.

The unaudited pro forma statement of adjusted consolidated net tangible assets of the Group is prepared based on the unaudited consolidated net tangible assets of the Group as at 30 September 2011, as extracted from published unaudited interim results of the Group for the six months ended 30 September 2011 set out in the interim report of the Company for the six months ended 30 September 2011 (pages 6 to 42), which are published on both the website of the Stock Exchange ([www.hkex.com.hk](http://www.hkex.com.hk)) and the website of the Company ([www.freeman279.com](http://www.freeman279.com)), after incorporating the unaudited pro forma adjustments described in the accompanying notes.

The unaudited pro forma statement of adjusted consolidated net tangible assets of the Group has been prepared for illustrative purposes only and, because of its hypothetical nature, it may not give a true picture of the consolidated net tangible assets of the Group following the Rights Issue.

	Unaudited consolidated net tangible assets of the Group attributable to the Shareholders as at 30 September 2011 <i>(Note 3)</i> HK\$'000	Estimated net proceeds from the Rights Issue <i>(Note 4)</i> HK\$'000	Unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to the Shareholders immediately after completion of the Rights Issue <i>(Note 7)</i> HK\$'000	Unaudited consolidated net tangible assets per Adjusted Share attributable to the Shareholders as at 30 September 2011 <i>(Note 5)</i> HK\$	Unaudited pro forma adjusted consolidated net tangible assets per Adjusted Share attributable to the Shareholders immediately after completion of the Rights Issue <i>(Note 6)</i> HK\$
<b>Scenario I</b>					
Rights Issue of 1,885,480,572 Rights Shares <i>(Note 1)</i>	2,105,308	181,763	2,287,071	2.23	0.81
<b>Scenario II</b>					
Rights Issue of 2,451,124,742 Rights Shares <i>(Note 2)</i>	2,105,308	237,762	2,343,070	2.23	0.64

*Notes:*

1. The Rights Issue of 1,885,480,572 Rights Shares is based on 942,740,286 Adjusted Shares in issue (assuming no further issue of new Shares or repurchase of Shares on or before the Record Date).
2. The Rights Issue of 2,451,124,742 Rights Shares is based on 1,225,562,371 Adjusted Shares in issue (assuming (i) no repurchase of Shares; (ii) the granting and exercise in full of the maximum number of Options that can be issued pursuant to the Scheme Mandate; and (iii) the completion of the Proposed Issue on or before the Record Date).
3. The unaudited consolidated net tangible assets of the Group attributable to the Shareholders as at 30 September 2011 is arrived at based on the unaudited consolidated net assets of the Group as at 30 September 2011 of approximately HK\$2,105,647,000 less intangible asset of approximately HK\$339,000 as set out in the interim report of the Company for the six months ended 30 September 2011 (pages 6 to 42), which are published on both the website of the Stock Exchange ([www.hkex.com.hk](http://www.hkex.com.hk)) and the website of the Company ([www.freeman279.com](http://www.freeman279.com)).
4. The estimated net proceeds from the Rights Issue is calculated based on 1,885,480,572 Rights Shares for Scenario I or 2,451,124,742 Rights Shares for Scenario II to be issued at the subscription price of HK\$0.10 per Rights Share. For Scenario I, the estimated net proceeds are arrived at based on the gross proceeds from the Rights Issue of approximately HK\$188,548,000 less the estimated related expenses of approximately HK\$6,785,000. For Scenario II, the estimated net proceeds are arrived at based on the gross proceeds from the Rights Issue of approximately HK\$245,112,000 less the estimated related expenses of approximately HK\$7,350,000.
5. The number of Adjusted Shares used for the calculation of unaudited consolidated net tangible assets per Adjusted Share is 942,740,286 as at 30 September 2011.
6. The unaudited pro forma adjusted consolidated net tangible assets per Adjusted Share immediately after completion of the Rights Issue is calculated based on (i) 2,828,220,858 Shares for Scenario I which comprise 942,740,286 Adjusted Shares in issue before the Rights Issue and 1,885,480,572 Rights Shares expected to be issued on the completion of the Rights Issue; or (ii) 3,676,687,113 Shares for Scenario II which comprise 1,225,562,371 Adjusted Shares in issue before the Rights Issue and 2,451,124,742 Rights Shares expected to be issued on the completion of the Rights Issue.
7. No adjustment has been made to reflect any trading results or other transactions of the Group entered into subsequent to 30 September 2011. The unaudited pro forma adjusted consolidated net tangible assets does not take into account the changes in net tangible assets arising from (i) the granting and exercise in full of the maximum number of Options that can be issued pursuant to the Scheme Mandate; and (ii) the completion of the Proposed Issue on or before Record Date.

*The following is the text of a report, prepared for the sole purpose of inclusion in this circular, received from the independent reporting accountants, Ernst & Young, Certified Public Accountants, Hong Kong.*

**2. ACCOUNTANTS' REPORT ON THE UNAUDITED PRO FORMA CONSOLIDATED NET TANGIBLE ASSETS OF THE GROUP**



19 March 2012

The Board of Directors  
**Freeman Financial Corporation Limited**  
Room 2302, 23rd Floor China United Centre  
28 Marble Road  
North Point  
Hong Kong

Dear Sirs

**Freeman Financial Corporation Limited and its subsidiaries  
Unaudited pro forma financial information**

We report on the unaudited pro forma financial information of Freeman Financial Corporation Limited (the “Company”) and its subsidiaries (the “Group”), set out on pages 60 and 61 in Appendix II to the circular of the Company dated 19 March 2012 (the “Circular”), which has been prepared by the directors of the Company, for illustrative purposes only, to provide information about how the Company’s proposed rights issue at a subscription price of HK\$0.1 per rights share, on the basis of two rights shares for every share held (as adjusted when the Company’s capital reorganisation becomes effective), to raise approximately HK\$188.5 million to HK\$245.1 million before expenses (the “Proposed Rights Issue”) might have affected the relevant financial information presented in respect of the Group immediately after the completion of the Proposed Rights Issue. The basis of preparation of the unaudited pro forma financial information is set out on pages 60 and 61 in Appendix II to the Circular.

**Respective Responsibilities of the Directors of the Company and the Reporting Accountants**

It is the responsibility solely of the directors of the Company to prepare the unaudited pro forma financial information in accordance with paragraph 29 of Chapter 4 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) and with reference to Accounting Guideline 7 “Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars” issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”).



It is our responsibility to form an opinion, as required by paragraph 29(7) of Chapter 4 of the Listing Rules, on the unaudited pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the unaudited pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

### **Basis of Opinion**

We conducted our engagement in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 300 “Accountants’ Reports on Pro Forma Financial Information in Investment Circulars” issued by the HKICPA. Our work consisted primarily of comparing the unadjusted financial information with source documents, considering the evidence supporting the adjustments and discussing the unaudited pro forma financial information with the directors of the Company. This engagement did not involve independent examination of any of the underlying financial information.

Our work did not constitute an audit or a review made in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the HKICPA, and accordingly, we do not express any such audit or review assurance on the unaudited pro forma financial information.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the unaudited pro forma financial information has been properly compiled by the directors of the Company on the basis stated, that such basis is consistent with the accounting policies of the Group and that the adjustments are appropriate for the purposes of the unaudited pro forma financial information as disclosed pursuant to paragraph 29(1) of Chapter 4 of the Listing Rules.

The unaudited pro forma financial information is for illustrative purposes only, based on the judgements and assumptions of the directors of the Company, and, because of its hypothetical nature, does not provide any assurance or indication that any event will take place in the future and may not be indicative of the financial position of the Group as at 30 September 2011 or any future date.

### **Opinion**

In our opinion:

- (a) the unaudited pro forma financial information has been properly compiled by the directors of the Company on the basis stated;
- (b) such basis is consistent with the accounting policies of the Group; and

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**APPENDIX II                      PRO FORMA FINANCIAL INFORMATION OF THE GROUP**

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- (c) the adjustments are appropriate for the purposes of the unaudited pro forma financial information as disclosed pursuant to paragraph 29(1) of Chapter 4 of the Listing Rules.

Yours faithfully

Ernst & Young  
Certified Public Accountants  
Hong Kong

## 1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

## 2. SHARE CAPITAL

The authorised and issued share capital of the Company (i) as at the Latest Practicable Date; (ii) immediately following the completion of the Rights Issue (assuming the Capital Reorganisation has become effective and no further issue of new Shares or repurchase of Shares on or before the Record Date); and (iii) immediately following the completion of the Rights Issue (assuming (a) the Capital Reorganisation has become effective, (b) no repurchase of Shares and (c) further issue of new Shares upon (1) the granting and exercise in full of the maximum number of Options that can be issued pursuant to the Scheme Mandate; and (2) completion of the Proposed Issue on or before the Record Date) were as follows:

### (i) As at the Latest Practicable Date

<i>Authorised:</i>	<i>HK\$</i>
<u>50,000,000,000</u> Existing Shares of HK\$0.1 each	<u>5,000,000,000.00</u>

#### *Issued and fully paid:*

<u>4,713,701,430</u> Existing Shares	<u>471,370,143.00</u>
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### (ii) Immediately following the completion of the Rights Issue (assuming the Capital Reorganisation has become effective and no further issue of new Shares or repurchase of Shares on or before the Record Date)

<i>Authorised:</i>	<i>HK\$</i>
<u>500,000,000,000</u> Adjusted Shares of HK\$0.01 each	<u>5,000,000,000.00</u>

#### *Issued and fully paid and to be issued:*

942,740,286 Adjusted Shares in issue before completion of the Rights Issue	9,427,402.86
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1,885,480,572	Rights Shares to be allotted and issued under the Rights Issue	18,854,805.72
2,828,220,858	Adjusted Shares in issue immediately after completion of the Rights Issue	28,282,208.58

- (iii) **Immediately following the completion of the Rights Issue (assuming (a) the Capital Reorganisation has become effective, (b) no repurchase of Shares and (c) further issue of new Shares upon (1) the granting and exercise in full of the maximum number of Scheme Mandate; and (2) completion of the Proposed Issue on or before the Record Date)**

*Authorised:* *HK\$*

<u>500,000,000,000</u>	Adjusted Shares of HK\$0.01 each	<u>5,000,000,000.00</u>
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*Issued and fully paid and to be issued:*

942,740,286	Adjusted Shares in issue before completion of the Rights Issue	9,427,402.86
94,274,028	Adjusted Shares to be issued upon the granting and exercise in full of the maximum number of Options pursuant to the Scheme Mandate	942,740.28
188,548,057	Adjusted Shares to be issued pursuant to the Proposed Issue	1,885,480.57
<u>2,451,124,742</u>	Rights Shares to be allotted and issued under the Rights Issue	<u>24,511,247.42</u>
3,676,687,113	Adjusted Shares in issue immediately after completion of the Rights Issue	36,766,871.13

All of the Rights Shares to be issued will rank *pari passu* in all respect with each other, including, in particular, as to dividends, voting rights and capital, and with all the Shares in issue as at the date of allotment and issue of the Rights Shares. The Rights Shares to be issued will be listed on the Stock Exchange.

No part of the share capital or any other securities of the Company is listed or dealt in on any stock exchange other than the Stock Exchange and no application is being made or is currently proposed or sought for the Shares or the Rights Shares or any other securities of the Company to be listed or dealt in on any other stock exchange.

As at the Latest Practicable Date, the Company had no outstanding convertible securities, options or warrants in issue which confer any right to subscribe for, convert or exchange into Shares.

As at the Latest Practicable Date, there were no arrangement under which future dividends are waived or agreed to be waived.

### 3. DISCLOSURE OF INTERESTS BY DIRECTORS

Based on the register kept by the Company, as at the Latest Practicable Date, the interests or short positions of the Directors or chief executive of the Company in the Shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required (i) to be notified to the Company and the Stock Exchange pursuant to the Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules, to be notified to the Company and the Stock Exchange were as follows:

#### Long positions in the Shares

Name of Director	Capacity	Number of Shares	Approximate percentage of shareholding
Andrew Liu	Beneficial owner	1,034,118,634	21.94% (Note)
Au Shuk Yee, Sue	Beneficial owner	1,229,000	0.03% (Note)

*Note:*

The percentage of shareholding in the Company is calculated on the basis of 4,713,701,430 Shares in issue as at the Latest Practicable Date.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or chief executive of the Company had any interests or short positions in the Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required (i) to be notified to the Company and the Stock Exchange pursuant to the Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules, to be notified to the Company and the Stock Exchange.

#### 4. INTERESTS OF SUBSTANTIAL SHAREHOLDERS

Based on the register kept by the Company, as at the Latest Practicable Date, so far as is known to the Directors or chief executive of the Company, the following persons (other than a Director or chief executive of the Company) had interests or short positions in the Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who was, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group.

##### Long positions in the Shares

Name of substantial shareholders	Capacity	Number of shares/ underlying shares held	Approximate percentage of shareholding
Willie International Holdings Limited (Note 1)	Beneficial Owner & Interest of controlled corporation	1,051,715,285	22.31% (Note 6)
Get Nice Holdings Limited (Note 2)	Interest of controlled corporation	808,395,588	21.99% (Note 7)
Chuang Eugene Yue-chien	Beneficial Owner	767,560,000	16.28% (Note 6)
PMA Capital Management Limited (Note 3)	Investment Manager	399,650,000	8.48% (Note 6)
PMA Emerging Opportunities Fund SPC	Beneficial Owner	327,710,000	6.95% (Note 6)

<b>Name of substantial shareholders</b>	<b>Capacity</b>	<b>Number of shares/ underlying shares held</b>	<b>Approximate percentage of shareholding</b>
Chong Tin Lung Benny ( <i>Note 4</i> )	Interest of controlled corporation	250,000,000	5.30% ( <i>Note 6</i> )
Mak Siu Hang Viola ( <i>Note 5</i> )	Interest of controlled corporation	250,000,000	5.30% ( <i>Note 6</i> )

*Note 1:* These shares of which 108,975,000 shares are held by Pearl Decade Limited, an indirect wholly owned subsidiary of Willie as at the Latest Practicable Date. The remaining 942,740,285 Shares (equivalent to 188,548,057 Adjusted Shares) represent the number of Shares to be issued to Willie pursuant to the Share Subscription Agreement assuming the Proposed Issue is completed.

*Note 2:* These shares represent Rights Shares underwritten by Get Nice, a wholly-owned subsidiary of Get Nice Incorporated, whereas Get Nice Incorporated is wholly-owned by Get Nice Holdings Limited.

*Note 3:* These shares of which 327,710,000 shares are held by PMA Emerging Opportunities Fund SPC and 71,940,000 shares are held by PMA Strategic Investments Fund. Both parties are wholly owned by PMA Capital Management Limited.

*Note 4:* These shares are held by VMS Capital Limited, a company wholly owned by Chong Tin Lung Benny.

*Note 5:* These shares are held by VMS Investment Group Limited, a company wholly owned by Mak Siu Hang Viola.

*Note 6:* The percentage of shareholding in the Company is calculated on the basis of 4,713,701,430 Shares in issue as at the Latest Practicable Date.

*Note 7:* As extracted from filings made by Get Nice Holdings Limited, Get Nice Incorporated and Get Nice.

Save as disclosed above, as at the Latest Practicable Date, so far as is known to the Directors or chief executive of the Company, no person (other than a Director or chief executive of the Company) had interests or short positions in the Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who was, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group or any options in respect of such capital.

#### 5. DIRECTORS' INTERESTS IN ASSETS/CONTRACTS AND OTHER INTERESTS

- (i) As at the Latest Practicable Date, none of the Directors has, or has had, any direct or indirect interest in any assets which have been acquired, disposed of or leased to or which are proposed to be acquired, disposed of or leased to the Company or any of their respective subsidiaries, respectively, since 31 March 2011, the date to which the latest published audited financial statements of the Group were made up.
- (ii) There is no contract or arrangement entered into by any member of the Group, subsisting as at the Latest Practicable Date in which any of the Directors is materially interested and which is significant in relation to the business of the Group as a whole.

#### 6. EXPERTS

The following are the qualifications of the experts who have given opinions or advice, which are contained in this circular:

<b>Name</b>	<b>Qualification</b>
Guangdong Securities	a licensed corporation to carry out Type 1 (dealing in securities), Type 2 (dealing in futures contracts), Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities as defined under the SFO
Ernst & Young	Certified Public Accountants

As at the Latest Practicable Date, none of the above experts had any direct or indirect shareholdings in any member of the Group, or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for shares in any member of the Group, or any interests, directly or indirectly, in any assets which have been acquired, disposed of or leased to or which are proposed to be acquired, disposed of or leased to the Company or any of their respective subsidiaries, respectively, since 31 March 2011, the date to which the latest published audited financial statements of the Group were made up.



Each of the above experts has given and has not withdrawn its written consent to the issue of this circular with the inclusion therein of its reports and references to its name in the form and context in which they appear.

## **7. SERVICE CONTRACTS**

As at the Latest Practicable Date, none of the Directors had entered into any service contracts with the Company or any other member of the Group (excluding contracts expiring or which may be terminated by the Company within a year without payment of any compensation (other than statutory compensation)).

## **8. LITIGATION**

As at the Latest Practicable Date, no member of the Group was engaged in any litigation, claim or arbitration of material importance and there was no litigation, claim or arbitration of material importance known to the Directors to be pending or threatened against any member of the Group.

## **9. MATERIAL CONTRACTS**

The following contracts had been entered into by the Group (not being contracts entered into in the ordinary course of business) within the two years immediately preceding the Latest Practicable Date and are or may be material:

- (a) The Underwriting Agreement;
- (b) The share subscription agreement dated 30 September 2011 between the Company and Willie (1) in relation to the subscription of shares in the Company by Willie and (2) in relation to the subscription of shares in Willie by the Company. The consideration for the subscription was approximately HK\$48.08 million respectively;
- (c) The conditional agreement dated 19 September 2011 between Freeman Agency Limited, a wholly owned subsidiary of the Company and Dr. Yang Fan Shing, Andrew in relation to the disposal of shares in Freeman Investment Services Limited, the total consideration was HK\$0.75 million;
- (d) The subscription agreement dated 12 August 2011 between FSL, Global Wealthy International Limited (“Global Wealthy”) and the Company in relation to the issue and allotment of shares in FSL to Global Wealthy, the total consideration was HK\$15 million;
- (e) The share purchase agreement dated 19 July 2011 between Ng Chor Yam and Freeman United Investments Limited (“Freeman United”), a wholly owned subsidiary of the Company, in relation to the purchase of shares in FSL, the total consideration was HK\$30 million;

- (f) The subscription agreement dated 17 May 2011 between Hennabun and the Company, in relation to the subscription of Hennabun's convertible note by the Company, the total consideration was HK\$250 million;
- (g) The agreement dated 17 May 2011 between Ambition Union Limited ("Ambition"), a wholly owned subsidiary of the Company, Mr. Liu Lit Man, Mrs. Liu Heu Seu Chu Pearl and Mr. Andrew Liu concerning the disposal of the 23.43% beneficial interests in Liu's Holdings Limited. The consideration for the disposal was approximately HK\$425.73 million;
- (h) The share purchase agreement dated 13 April 2011 between Cordoba Homes Limited and the Company, in relation to the disposal of shares in Future Master Investments Limited, a wholly owned subsidiary of the Company and a property investment holding company, the total consideration was HK\$120 million;
- (i) The subscription agreement dated 8 March 2011 between FSL and Freeman United in relation to the subscription of shares in FSL, the total consideration was HK\$20 million;
- (j) The subscription agreement dated 3 March 2011 between Hennabun and the Company, in relation to the subscription of Hennabun's shares by the Company, the total consideration was approximately HK\$253 million;
- (k) The share purchase agreement dated 8 December 2010 amongst Mr. Liu Lit Man, Mrs. Liu Heu Seu Chu Pearl, Mr. Andrew Liu and Ambition in relation to the acquisition of the 23.43% beneficial interests in Liu's Holdings Limited, the total consideration was approximately HK\$502.54 million;
- (l) The loan agreement dated 1 November 2010 between Hansom Finance Limited ("Hansom"), a wholly owned subsidiary of the Company and Hennabun which combined all the previous loan facilities provided to Hennabun by Hansom into a single revolving loan facility, the total loan principal involved was HK\$500 million;
- (m) The placing agreement dated 21 October 2010 entered into between Radland International Limited, the placing agent, and the Company in relation to the placing of 2,000,000,000 new shares at the placing price of HK\$0.275 per share to not fewer than six places, the maximum gross proceeds was approximately HK\$550 million;
- (n) The placing agreement dated 29 September 2010 entered into between Kingston Securities Limited, the placing agent, and the Company in relation to the placing of 118,950,000 new shares at the placing price of HK\$0.32 per share to not fewer than six places, the gross proceeds was approximately HK\$38.06 million;

- (o) The bond subscription agreement dated 9 August 2010 entered into between the Company and Mr. Andrew Liu, pursuant to which Mr. Andrew Liu has agreed to subscribe for or procure subscription of the convertible bonds in aggregate principal amount of up to HK\$550 million issued by the Company and the Company has agreed to issue convertible bonds to Mr. Andrew Liu and/or his nominees;
- (p) The subscription agreement dated 9 August 2010 entered into between the Company and Mr. Andrew Liu, pursuant to which the Company has conditionally agreed to allot and issue, and Mr. Andrew Liu has conditionally agreed to subscribe for 99,125,239 new shares of the Company, at HK\$0.275 per share, the gross proceeds was approximately HK\$27.26 million;
- (q) The conditional agreement dated 17 May 2010 entered into between Future Master Investments Limited (a wholly owned subsidiary of the Company), Apple Worth Limited and the Company in relation to the sale of 1 share of Sunny Soar Investments Limited (a wholly owned subsidiary of the Company) for a consideration of HK\$52 million;
- (r) The placing agreement dated 9 April 2010 entered into between Kingston Securities Limited, the placing agent, and the Company in relation to the placing of 76,270,000 new shares at the placing price of HK\$0.50 per share to not fewer than six places, the gross proceeds was approximately HK\$38.14 million;

## 10. CORPORATE INFORMATION

### **Registered office of the Company**

Cricket Square  
Hutchins Drive  
P.O. Box 2681  
Grand Cayman KY1-1111  
Cayman Islands

### **Head office and principal place of business of the Company in Hong Kong**

Room 2302, 23rd Floor  
China United Centre  
28 Marble Road  
North Point  
Hong Kong

### **Share registrar and transfer office of the Company in Hong Kong**

Tricor Secretaries Limited  
26th Floor, Tesbury Centre  
28 Queen's Road East  
Wanchai  
Hong Kong

**Authorised representatives**

HUI Quincy Kwong Hei  
Room 2302, 23rd Floor  
China United Centre  
28 Marble Road  
North Point  
Hong Kong

CHOW Mun Yee  
Room 2302, 23rd Floor  
China United Centre  
28 Marble Road  
North Point  
Hong Kong

**Company secretary**

CHOW Mun Yee  
Room 2302, 23rd Floor  
China United Centre  
28 Marble Road  
North Point  
Hong Kong

**Legal adviser to the Company**

Ching & Solicitors  
Suite 2501, 25th Floor  
China United Centre  
28 Marble Road  
North Point  
Hong Kong

**Auditors**

Ernst & Young  
*Certified Public Accountants*  
22/F., CITIC Tower  
1 Tim Mei Avenue  
Central, Hong Kong

**Principal bankers**

The Hongkong and Shanghai  
Banking Corporation Limited  
No.1 Queen's Road Central  
Hong Kong

Bank of Communications Co., Ltd.  
Hong Kong Branch  
1/F., 32-34 Johnston Road  
Wan Chai  
Hong Kong

**DIRECTORS****Particulars of Directors****Name****Address****Executive Directors**

LO Kan Sun

Room 2302, 23rd Floor  
China United Centre  
28 Marble Road  
North Point  
Hong Kong

HUI Quincy Kwong Hei

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AU Shuk Yee, Sue

Room 2302, 23rd Floor  
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PHILLIPS Scott Allen

Orchid Garden #327  
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Chaoyang District  
Beijing, 100015  
People of Republic China

CHOW Mun Yee

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China United Centre  
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North Point  
Hong Kong

**Non-executive Directors**

LIU Andrew

Flat B, 22nd Floor  
The Harbourview  
11 Magazine Gap Road  
Mid-levels, Hong Kong

LIU Kam Fai, Winston

2nd Floor, 92 Repulse Bay Road  
Hong Kong**Independent non-executive Directors**

DOUGLAS Gary Drew

Flat B, 19th Floor, Island Lodge  
180 Java Road, North Point  
Hong Kong

WHITELAM Peter Temple

8B, 18 Queen's Road East  
Wanchai, Hong Kong

QUE Agustin V.

Regency Menteng,  
Apt. 403 J1. RP Soeroso  
No.10-12 Menteng  
Jakarta 10330  
Indonesia

MIU Frank H.

Flat B, 15th Floor, Tower 8, Phase I  
28 Belair Avenue  
Residence Belair  
Island South  
Hong Kong

**EXECUTIVE DIRECTORS**

**Mr. Lo Kan Sun** (“**Mr. Lo**”), aged 58, joined the Company as Executive Director in June 2008 and was re-designated as Managing Director in November 2008. Mr. Lo holds a Master’s degree in Business Administration from Indiana University in the USA and a Bachelor’s degree in Electrical Engineering from University of Illinois, the USA. Mr. Lo has over 28 years of experience in finance, investment and banking in Hong Kong and Canada. Mr. Lo was an executive director of Willie International Holdings Limited, another listed public company in Hong Kong until Mr. Lo resigned in April 2008.

**Mr. Hui Quincy Kwong Hei** (“**Mr. Hui**”), aged 39, joined the Company as General Manager in August 2010 and was re-designated as Managing Director in September 2010. Mr. Hui holds a Bachelor of Laws (Hons) degree and a Bachelor of Economics degree from the University of Sydney, Australia. Mr. Hui has over 15 years of investment banking, financial services and legal experience. Prior to joining the Company, Mr. Hui was a managing director with Credit Suisse (Hong Kong) Limited (“Credit Suisse”). Before that, Mr. Hui was a managing director and Head of Hong Kong Banking in Global Banking of Deutsche Bank Group (“Deutsche Bank”). During his service period with Deutsche Bank and Credit Suisse, Mr. Hui worked on and supervised the completion of many landmark mergers and acquisitions and fund-raising transactions. Mr. Hui was a solicitor with Linklaters in Hong Kong before joining Deutsche Bank, and was admitted as solicitor of the Supreme Court of England and Wales, legal practitioner of the Supreme Court of New South Wales, Australia, and solicitor of the High Court of Hong Kong.

**Ms. Au Shuk Yee, Sue** (“**Ms. Au**”), aged 47, joined the Company as Executive Director in June 2006. Ms. Au has obtained a bachelor’s degree of science in accounting from Liberty University, Virginia and has more than 10 years of experience in business administration and accounting. Previously, Ms. Au was the managing director of a telecommunication equipment manufacturing and trading company and was the Chief Executive Officer of a listed company before joining the Company.

**Mr. Scott Allen Phillips** (“**Mr. Phillips**”), aged 45, joined the Company as Executive Director in October 2008, Mr. Phillips holds a Master’s degree in Business Administration from Illinois State University in the USA and a Bachelor’s degree in Science, Industrial Technology from Southern Illinois University, the USA. Mr. Phillips has over 21 years’ experience in investment banking, financial services consulting and manufacturing in the USA, China and Hong Kong.

**Ms. Chow Mun Yee** (“**Ms. Chow**”), aged 36, joined the Company’s accounts and company secretarial department in December 2010 and was appointed as Executive Director in February 2011. Ms. Chow is a fellow member of the Hong Kong Institute of Certified Public Accountants and is a fellow member of the Association of Chartered Certified Accountants and holds a Bachelor (Hons) degree in Business Administration from the Chinese University of Hong Kong. Prior to joining the Company, Ms. Chow has over 13 years of experience in accounting and auditing at an international accounting firm and has extensive experience in financial services, investment and property development.

#### **NON-EXECUTIVE DIRECTORS**

**Mr. Andrew Liu** (“**Mr. A. Liu**”), aged 56, joined the Company as Non-executive Director in November 2010. Mr. A. Liu is a non-executive director of Chong Hing Bank Limited and Liu Chong Hing Investment Limited (“LCH Investment”) (both are listed on the main board of The Stock Exchange of Hong Kong Limited). He is the Chief Executive Officer of Uitas Capital Pte Ltd. (formerly known as CCMP Capital Asia Pte Ltd.). Mr. A. Liu, holder of a Master of Arts degree from the Oxford University in England, was a solicitor with Slaughter and May in London before joining Morgan Stanley & Co. Inc. in New York in 1981. Mr. A. Liu was promoted to managing director in 1990 before relocating to Morgan Stanley Asia Limited in Hong Kong, where he assumed the position of President and managing director until his resignation in September 1997. Mr. A. Liu remains associated with Morgan Stanley as an advisory director. He is a cousin of Mr. Liu Kam Fai, Winston, the Company’s Non-executive Director.

**Mr. Liu Kam Fai, Winston** (“**Mr. W. Liu**”), aged 45, joined the Company as Non-executive Director in January 2011. Mr. W. Liu was appointed as executive director of LCH Investment since 1997 and was redesignated as the deputy managing director in August 2008. He holds a Master’s degree in economics from the University of London, specialising in finance and macro-economic policy. Mr. W. Liu oversees LCH Investment’s strategic development, project implementation, as well as all aspects of business operations. Mr. W. Liu also serves as a director of a number of subsidiaries of LCH Investment. Mr. W. Liu is the son of Dr. Liu Lit Mo, LLD, MBE, JP. He is also a cousin of Mr. A. Liu, the Company’s Non-executive Director and substantial shareholder. LCH Investment is a company listed on the main board of the Stock Exchange.

#### **INDEPENDENT NON-EXECUTIVE DIRECTORS**

**Mr. Gary Drew Douglas** (“**Mr. Douglas**”), aged 62, joined the Company as Independent Non-executive Director in February 2006. Mr. Douglas holds a Master’s Degree in Business Administration from University of Santa Clara, the USA. Mr. Douglas has over 20 years of professional experience in general management, IT business, project management, and commercial and retail banking in Japan and the USA. From June 2011 to October 2011, Mr. Douglas was appointed as an independent non-executive director of Radford



Capital Investment (“Radford”) which is a company listed on the main board of the Stock Exchange. Mr. Douglas is presently the managing director of Dragonite International Limited (“Dragonite”) and an independent non-executive director of Willie International Holdings Limited, both companies are listed on the main board of the Stock Exchange.

**Mr. Peter Temple Whitelam (“Mr. Whitelam”)**, aged 82, joined the Company as Independent Non-executive Director in November 2006. Mr. Whitelam is a specialist consultant in global branding and international communications. After graduating from Pembroke College, Oxford University, Mr. Whitelam joined the BBC before winning a Fulbright Scholarship to study educational radio and television in the United States where he gained a Master of Science degree from Boston University. Following four years at NBCTV in New York, Mr. Whitelam began a long career in advertising, creating national and international campaigns for such clients as British Airways, Unilever, Nabisco, ESPN, Colgate, Cadbury, General Motors, American Express, Nomura Securities, and the Bank of Montreal. Mr. Whitelam has worked as a creative strategist in Boston, New York, London, Montreal, Toronto, Tokyo and Taiwan and received international awards for his ideas. Recently Mr. Whitelam has been developing brand strategies both for companies and government agencies. Mr. Whitelam has a long time acquaintance with Asia, having visited and worked in eight different countries in the Asia Pacific region. Mr. Whitelam is the chairman of the board of directors of Mascotte Holdings Limited which is a listed public company in Hong Kong.

**Dr. Agustin V. Que (“Dr. Que”)**, aged 65, joined the Company as Independent Non-executive Director in September 2010. Dr. Que holds Ph.D. and MBA degrees, both majoring in Finance, from the Wharton School of the University of Pennsylvania in Philadelphia, Pennsylvania, the USA. He has been involved in the field of finance for more than 35 years as a private equity investor, merchant banking, corporate and development finance professional in Jakarta, Hong Kong, Singapore, Boston and Washington, DC. He is currently based in Jakarta, Indonesia, where he is corporate finance adviser responsible for mergers and acquisitions, new investments, business development and investment banking activities to an Indonesian holding company with diversified interests in agribusiness, property and financial services. Prior to Jakarta, Dr. Que worked in the financial sector in Hong Kong for 12 years. Dr. Que started his career in finance in Washington DC, the USA with The World Bank, over a period of 10 years. His last posting was Senior Investment Officer in the Capital Markets Department of the International Finance Corporation, The World Bank’s private investment arm. Dr. Que is an independent non-executive director of Mascotte Holdings Limited which is a listed public company in Hong Kong.

**Mr. Miu H., Frank** (“**Mr. Miu**”), aged 62, joined the Company as independent non-executive Director and chairman of audit committee in 15 December 2011. He holds a Juris Doctor degree from Harvard Law School and a Bachelor of Arts degree in Economics and Accounting from St. John’s University of Minnesota. He is a member of the American Bar Association and the American Institute of Certified Public Accountants. He is also a Fellow of Hong Kong Institute of Directors. Apart from professional experience in law and accounting, he has extensive exposure to various industries including financial services. Mr. Miu is a former executive director of Radford which is a company listed on the main board of Stock Exchange during the period from March 2009 to December 2009 and served again as the executive director and managing director of Radford in June and July 2011. Mr. Miu is also a former executive director of Dragonite which is a company listed on the main board of the Stock Exchange, during the period from April 2010 to May 2010 and a former non-executive director of Dragonite during the period from May 2010 to July 2011. Mr. Miu is currently an independent non-executive director of Mascotte Holdings Limited, Willie International Holdings Limited and Tack Fiori, and all of these companies are companies listed on the main board of the Stock Exchange. Aside from directorships in the aforesaid public companies listed on the Stock Exchange, Mr. Miu is also an independent non-executive director of Duoyuan Global Water Inc., a public company listed on New York Stock Exchange.

#### **11. MISCELLANEOUS**

The English texts of this circular and the accompanying form of proxy shall prevail over their Chinese texts in case of inconsistencies.

#### **12. EXPENSES**

The expenses in connection with the Rights Issue, including the underwriting commission, financial advisory fees, printing, registration, translation, legal and accounting fees, are estimated to be approximately HK\$6.78 million on the basis of 1,885,480,572 Rights Shares to be issued or approximately HK\$7.35 million on the basis of 2,451,124,742 Rights Shares to be issued, and will be payable by the Company.

**13. DOCUMENTS AVAILABLE FOR INSPECTION**

Copies of the following documents are available for inspection during normal business hours on any weekday (except Saturdays and public holidays) at the principal place of business of the Company in Hong Kong at Room 2302, 23rd Floor, China United Centre, 28 Marble Road, North Point, Hong Kong from the date of this circular up to and including the date of the EGM:

- (a) the Memorandum and the Articles;
- (b) the annual reports of the Company for the three financial years ended 31 March 2011, 31 March 2010 and 31 March 2009;
- (c) the interim report of the Company for the six months ended 30 September 2011;
- (d) the letter of advice from Guangdong Securities, the full text of which is set out on pages 34 to 54 of this circular;
- (e) the letter from the Independent Board Committee, the full text of which is set out on page 33 of this circular;
- (f) the letter on the unaudited pro forma financial information of the Group issued by Ernst & Young which is set out in appendix II to this circular;
- (g) the material contracts disclosed in the paragraph under the heading “Material Contracts” in this appendix;
- (h) the written consents referred to in the paragraph under the heading “Experts” in this appendix;
- (i) the circular dated 25 June 2011 in relation to the disposal of 23.43% beneficial interests in Liu’s Holdings Limited;
- (j) the circular dated 31 August 2011 in relation to subscription of redeemable convertible note of Hennabun Capital Group Limited; and
- (k) the circular dated 30 November 2011 in relation to subscription of shares in Willie International Holdings Limited.

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## NOTICE OF EXTRAORDINARY GENERAL MEETING

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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)**

**NOTICE IS HEREBY GIVEN** that an extraordinary general meeting of Freeman Financial Corporation Limited (the “**Company**”) will be held at 30th Floor, China United Centre, 28 Marble Road, North Point, Hong Kong at 3:30 p.m. on Tuesday, 3 April 2012 for the purpose of considering and, if thought fit, passing, with or without modification, the following resolution as an ordinary resolution:

#### ORDINARY RESOLUTION

**“THAT**

- (i) the underwriting agreement dated 19 January 2012 (the “**Underwriting Agreement**”, a copy of which having been produced to this meeting and marked “A” and initialled by the chairman of the meeting for the purpose of identification) made between the Company and Chung Nam Securities Limited and Get Nice Securities Limited (the “**Underwriters**”) and the transactions contemplated thereunder be and are hereby approved, confirmed and ratified;
- (ii) conditional on the obligations of the Underwriters becoming unconditional under the Underwriting Agreement, the issue of not less than 1,885,480,572 new Adjusted shares of HK\$0.01 each and not more than 2,451,124,742 new Adjusted shares of HK\$0.01 each in the capital of the Company (the “**Rights Shares**”) pursuant to an offer by way of rights issue (the “**Rights Issue**”) at the subscription price of HK\$0.10 per Rights Share in the proportion of two Rights Shares for every Adjusted Share held by holders of Shares (the “**Shareholders**”) whose names appear on the register of members of the Company on 18 April 2012 (or such other date as the Underwriters may agree in writing with the Company) (the “**Record Date**”) other than those Shareholders whose addresses on the register of members of the Company are outside Hong Kong on the Record Date and whom the Directors, based on legal opinions provided by legal advisers, consider it necessary or expedient not to offer the Rights Issue to such Shareholders on account either of the legal restrictions under the laws of the relevant place or the requirements of the relevant regulatory body or stock exchange in that place (the “**Non-Qualifying Shareholders**”), on and subject to the terms and conditions set out in a circular to the Shareholders in respect of the Rights Issue dated 19 March 2012 (the “**Circular**”, a

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## NOTICE OF EXTRAORDINARY GENERAL MEETING

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copy of which having been produced to this meeting and marked “B” and initialled by the chairman of the meeting for the purpose of identification) and on such other terms and conditions as may be determined by the directors of the Company (the “**Directors**”) be and is hereby approved provided that (a) no Rights Shares shall be offered to the Non-Qualifying Shareholders and the Rights Shares which would otherwise have been offered to them shall be sold if a premium net of expenses is obtained and to the extent that such rights can be sold, the net proceeds of such sale (after deducting the expenses of sale) be distributed to the Non-Qualifying Shareholders pro rata to their holding of shares provided further that individual amounts of HK\$100 or less shall be retained for the benefit of the Company; and (b) to the extent that the Rights Shares referred to in (a) above are not sold as aforesaid, such Rights Shares together with any Rights Shares provisionally allotted but not accepted shall be offered for application under forms of application for excess Rights Shares; and

- (iii) the Directors be and is hereby authorised to issue and allot the Rights Shares on terms as set out in the Circular and to do all such acts and things, to sign and execute all such further documents and to take such steps as the Directors may in their absolute discretion consider necessary, appropriate, desirable or expedient to give effect to or in connection with the Rights Issue and any of the transactions contemplated thereunder.”

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

Hong Kong, 19 March 2012

*Notes:*

- (1) A form of proxy to be used for the meeting is enclosed.
- (2) Any member of the Company entitled to attend and vote at the meeting shall be entitled to appoint another person (who must be an individual) as his proxy to attend and vote instead of him and a proxy so appointed shall have the same right as the member to speak at the meeting. On a poll votes may be given either personally or by proxy. A proxy need not be a member of the Company. A member may appoint any number of proxies to attend in his stead at any one general meeting. In the case of a recognised clearing house, it may authorise such person(s) as it thinks fit to act as its representative(s) at the meeting and vote in its stead.
- (3) The instrument appointing a proxy must be in writing under the hand of the appointor or of his attorney authorised in writing, or if the appointor is a corporation, either under its seal or under the hand of an officer, attorney or other person duly authorised to sign the same.

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## NOTICE OF EXTRAORDINARY GENERAL MEETING

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- (4) The instrument appointing a proxy and the power of attorney or other authority, if any, under which it is signed or a notarially certified copy of such power or authority must be delivered at the Company's share registrar and transfer office in Hong Kong, Tricor Secretaries Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong not less than 48 hours before the time appointed for holding the meeting or any adjourned meeting at which the person named in such instrument proposes to vote. Delivery of any instrument appointing a proxy shall not preclude a member from attending and voting in person at the meeting, or poll concerned and, in such event, the instrument appointing a proxy shall be deemed to be revoked.
- (5) Where there are joint registered holders of any share, any one of such persons may vote at the meeting, either personally or by proxy, in respect of such share as if he were solely entitled thereto but if more than one of such joint holders be present at any meeting personally or by proxy, that one of the said persons so present being the most or, as the case may be, the more senior shall alone be entitled to vote in respect of the relevant joint holding and, for this purpose, seniority shall be determined by reference to the order in which the names of the joint holders stand on the register in respect of the relevant joint holding.

*As at the date of this notice, 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