THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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

If you have sold or transferred all your shares in Freeman Financial Corporation Limited, you should at once hand this circular and the accompanying proxy form to the purchaser or the transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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)

MAJOR TRANSACTION – SUBSCRIPTION OF REDEEMABLE CONVERTIBLE NOTE OF HENNABUN CAPITAL GROUP LIMITED AND POSSIBLE CONVERSION OF HENNABUN SHARES AND NOTICE OF EXTRAORDINARY GENERAL MEETING

A letter from the board of directors of Freeman Financial Corporation Limited (the "Company") is set out on pages 4 to 34 of this circular.

A notice convening the extraordinary general meeting of the Company (the "EGM") to be held at 30th Floor, China United Centre, 28 Marble Road, North Point, Hong Kong on Monday, 19 September 2011 at 9:00 a.m. is set out on pages EGM-1 to EGM-2 of this circular. Whether or not you are able to attend the EGM, you are requested to complete the accompanying proxy form in accordance with the instructions printed thereon and return the same to the Company's branch share registrar in Hong Kong, Tricor Secretaries Limited at 26/F., Tesbury Centre, 28 Queen's Road East, Wan Chai, Hong Kong as soon as possible and in any event not later than 48 hours before the time appointed for holding of the meeting or any adjournment thereof (as the case may be). Completion and return of the proxy form will not preclude you from attending and voting in person at the EGM or any adjourned meeting if you so wish but the authority of your proxy will be invalidated forthwith.

Hong Kong, 31 August 2011

CONTENTS

In this circular, unless the context otherwise requires, the expressions below shall have the following meanings:

"Announcement"	the announcement made by the Company on 17 May 2011 in relation to the Subscription
"associate(s)"	has the meaning ascribed to it under the Listing Rules
"Board"	the board of Directors of the Company
"Business day"	any day (excluding Saturday, Sunday and public holidays) on which banks are generally open for business in Hong Kong
"Company"	Freeman Financial Corporation Limited (Stock Code: 279), a company incorporated in the Cayman Islands with limited liability and the Shares of which are listed on main board of the Stock Exchange
"Completion"	completion of the Subscription in accordance with the terms and conditions of the Subscription Agreement
"Conditions"	conditions precedent contained in the Subscription Agreement for the Completion
"Connected Person(s)"	has the meaning ascribed to it under the Listing Rules
"Conversion Date"	the date on which the conversion rights under the Convertible Note are exercised in accordance with the terms and conditions attached to or endorsed on the Convertible Note
"Conversion Period"	has the meaning as described under "The Convertible Note – Principal terms" in this circular
"Conversion Price"	the conversion price of the Convertible Note of HK$6 per Hennabun Share (subject to adjustments)
"Conversion Share(s)"	new Hennabun Share(s) to be issued upon exercise by the Company of the conversion rights under the Convertible Note
"Convertible Note"	the redeemable convertible note to be issued by Hennabun to the Company in the principal amount of HK$250 million pursuant to the terms and conditions of the Subscription Agreement

"Director(s)"	the director(s) of the Company
"EGM"	the extraordinary general meeting of the Company to be convened on Monday, 19 September 2011 at 30th Floor, China United Centre, 28 Marble Road, North Point, Hong Kong to consider, and if thought fit, approve the resolution in respect of the Subscription Agreement and the transactions contemplated thereunder (including the Possible Conversion)
"Group"	the Company and its subsidiaries
"Hennabun"	Hennabun Capital Group Limited, a company with limited liability incorporated in the British Virgin Islands
"Hennabun Group"	Hennabun and its subsidiaries
"Hennabun Share(s)"	ordinary shares US$0.10 each in the capital of Hennabun
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"Hong Kong"	the Hong Kong Special Administrative Region of the People's Republic of China
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Latest Practicable Date"	30 August 2011, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained in this circular
"Loan Agreement"	the loan agreement dated 1 November 2010 between Hennabun and the Company
"Maturity Date"	has the meaning as described under "The Convertible Note – Principal terms" in this circular
"Outstanding Loan"	the outstanding loan of HK$250 million owing by Hennabun Group to a wholly-owned subsidiary of the Company pursuant to the loan agreement entered into on 1 November 2010

"Possible Conversion"	the possible exercise by the Company of its conversion rights under the Convertible Note
"SFC"	The Securities and Futures Commission
"SFO"	the Securities and Futures Ordinance (Cap. 571 of the Law of Hong Kong)
"Share(s)"	ordinary share(s) of HK$0.10 each in the share capital of the Company
"Shareholder(s)"	holder(s) of the Shares
"Share Subscription Agreement"	the subscription agreement dated 3 March 2011 entered into between Hennabun and the Company in relation to subscription of Hennabun Shares
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Subscription"	the subscription of the Convertible Note by the Company or its nominee(s) pursuant to the terms and conditions of the Subscription Agreement
"Subscription Agreement"	the Subscription Agreement dated 17 May 2011 entered into between Hennabun and the Company in relation to the Subscription
"Subscription Price"	the subscription price of HK$250 million for the Convertible Note, to be satisfied by setting off the Outstanding Loan as set out in the terms and conditions of the Subscription Agreement
"%"	per cent.
"US$"	United States dollars, the lawful currency of United States of America

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:
Dr. Yang Fan Shing, Andrew *(Chairman)*
Mr. Lo Kan Sun *(Managing Director)*
Mr. Hui Quincy Kwong Hei *(Managing Director)*
Ms. Au Shuk Yee, Sue
Mr. Scott Allen Phillips
Ms. Chow Mun Yee

Non-executive Directors:
Mr. Andrew Liu
Mr. Liu Kam Fai, Winston

Independent Non-executive Directors:
Mr. Yau Chung Hong
Mr. Gary Drew Douglas
Mr. Peter Temple Whitelam
Dr. Agustin V. Que

Registered office:
Cricket Square, Hutchins Drive
P.O. Box 2681
Grand Cayman
KY1-1111
Cayman Islands

Principal place of business in Hong Kong:
Room 2302, 23rd Floor
China United Centre
28 Marble Road
North Point, Hong Kong

31 August 2011

To the Shareholders,

Dear Sir or Madam,

MAJOR TRANSACTION –
SUBSCRIPTION OF REDEEMABLE CONVERTIBLE NOTE
OF HENNABUN CAPITAL GROUP LIMITED AND
POSSIBLE CONVERSION OF HENNABUN SHARES
AND
NOTICE OF EXTRAORDINARY GENERAL MEETING

INTRODUCTION

Reference is made to the Announcement issued by the Company. On 17 May 2011 (after trading hours), the Company entered into the Subscription Agreement with Hennabun, pursuant to which the Company agreed to subscribe or procure the subscription by its nominee(s) of the Convertible Note of Hennabun at the Subscription Price in the principal amount of HK$250 million.

The Subscription and the Possible Conversion (when added together with the Subscription of Hennabun Shares as described in the Company's announcement dated 3 March 2011) constitutes a major transaction for the Company under Chapter 14 of the Listing Rules and is subject to the approval of the Shareholders at the EGM.

The purpose of this circular is to provide you with information in relation to, among other things, (i) details of the Subscription Agreement and the transactions contemplated thereunder (including the Possible Conversion); (ii) the financial information of Hennabun; (iii) the financial information of the Group; (iv) the unaudited pro forma financial information of the Group; and (v) a notice convening the EGM at which an ordinary resolution will be proposed to the Shareholders to consider and, if thought fit, approve the Subscription Agreement and the transactions contemplated thereunder (including the Possible Conversion).

THE SUBSCRIPTION AGREEMENT

Date

17 May 2011 (after trading hours)

Parties

(1) The Company as the subscriber of the Convertible Note

(2) Hennabun as the issuer of the Convertible Note

As at the Latest Practicable Date, the Group directly owns 112,759,460 Hennabun Shares, representing approximately 29.13% of Hennabun's total issued share capital. In addition, the Group owns indirectly an effective interest of 2.49% in Hennabun through a private company incorporated in the British Virgin Islands with limited liability. The Group is the second largest shareholder of Hennabun. As at the Latest Practicable Date, the outstanding principal amount of the Outstanding Loan is HK$250 million and the total accrued but unpaid interest is approximately HK$6.9 million.

Saved as disclosed above, to the best of the Directors' knowledge, information and belief, and having made all reasonable enquiries, Hennabun and its ultimate beneficial owners are third parties independent of the Company and Connected Persons of the Company.

Subscription of Convertible Note

Under the Subscription Agreement, the Company agreed to subscribe or procure the Subscription by its nominee(s) of the Convertible Note at the Subscription Price. The Subscription Price of HK$250 million for the Convertible Note shall be satisfied upon Completion through setting off the principal amount of the Outstanding Loan.

Conditions of the Subscription Agreement

Completion of the Subscription Agreement is conditional upon:

(i) The Company having completed financial and legal due diligence review on Hennabun and its business and having notified Hennabun that the due diligence results are satisfactory provided that such notification shall not prejudice in any manner whatsoever any of the Company's right in respect of a claim pursuant to the warranties, representations and the undertakings given by Hennabun under the Subscription Agreement; and

(ii) All requisite consents, license and approvals from any relevant government authorities, regulatory bodies or other relevant third parties in Hong Kong or elsewhere which are required or appropriate for the Subscription and the issue of Convertible Note having been obtained.

Pursuant to the Subscription Agreement (as supplemented by a supplemental agreement entered into between the Company and Hennabun on 27 July 2011), if the Conditions are not fulfilled on or prior to 30 September 2011 or such later date as may be agreed between Hennabun and the Company in writing, the Subscription Agreement shall terminate. On termination of the Subscription Agreement, none of the parties to the Subscription Agreement shall have any claim against the other for costs, damages, compensation or otherwise, save in respect of antecedent breaches and claims. The accrued and unpaid interest on the Outstanding Loan up to the Completion date shall be paid in cash or cheque by Hennabun to the Company on Completion.

Completion

Completion shall take place on the first Business Day following the fulfillment of all the Conditions (or such other time and date as the Company and Hennabun may agree in writing).

THE CONVERTIBLE NOTE

Principal terms

Principal Amount:	HK$250 million
Interest:	the Convertible Note shall not bear any interest
Status:	unsecured
Conversion Price:	HK$6 per Hennabun Share, subject to adjustments as set out in the terms and conditions of the Convertible Note.

Ranking of Conversion Shares:	the Conversion Shares shall rank pari passu in all respects with all other existing Hennabun Shares outstanding at the Conversion Date and all Conversion Shares shall include rights to participate in all dividends and other distributions the record date of which falls on or after the Conversion Date.
Conversion Period:	the period commencing from the date of issue of the Convertible Note up to (and excluding) the commencement of the seven calendar day period ending on (and including) the Maturity Date.
Conversion Rights:	the Company has the right to convert the whole or any part (in an amount or integral multiple of HK$1,000,000) of the outstanding principal amount of the Convertible Note at any time during the Conversion Period at the Conversion Price. The conversion rights shall not be exercisable at any time when the Conversion Price is less than the par value of the Hennabun Shares. The exercise of the conversion rights is conditional on all consents or approval of any relevant governmental authorities, or other relevant third parties in Hong Kong or elsewhere which are required or appropriate for such exercise and issue of Conversion Shares having been obtained, including all filings with any relevant governmental authorities or other relevant third parties in Hong Kong or elsewhere which are required or appropriate for such exercise and issue of Conversion Shares having been made.
Adjustments to Conversion Price:	in the event that Hennabun shall (i) pay a dividend or make a distribution on the outstanding Hennabun Shares payable in cash or in specie, (ii) subdivide the outstanding Hennabun Shares into a larger number of shares, (iii) combine the outstanding Hennabun Shares into a smaller number of shares or (iv) issue any Hennabun Shares or effect a reclassification of Hennabun Shares, then, the Conversion Price in effect immediately prior to such event shall if necessary be adjusted so that the Company shall be entitled to receive the number of Hennabun Shares or other securities of Hennabun that the Company would have owned or would have been entitled to receive upon or by reason of any of the events described above, had the Convertible Note been converted immediately prior to the occurrence of such event.

	No adjustments in the Conversion Price shall be required unless such adjustment would require a change of at least 1% in the Conversion Price; provided however that any adjustments that are not required to be made shall be carried forward and taken into account in any subsequent adjustment.
Redemption:	Hennabun may at any time by written notice to the Company redeem the whole or part (in an amount or integral multiple of HK$1,000,000) of the outstanding principal amount of the Convertible Note at an amount equal to 100% of the principal amount of the Convertible Note sought to be redeemed. The Company may also at any time by written notice to Hennabun redeem the whole or part (in an amount or integral multiple of HK$1,000,000) of the outstanding principal amount of the Convertible Note at an amount equal to 100% of the principal amount of the Convertible Note sought to be redeemed.
	Unless previously redeemed or converted into Conversion Shares, Hennabun will repay the outstanding principal amount of the Convertible Note on the Maturity Date.
Transferability:	the Convertible Note may not be transferred without the prior written consent of Hennabun and cannot be assigned. Any transfer of the Convertible Note shall be in respect of the whole or any part (in an amount or integral multiple of HK$1,000,000) of the outstanding principal amount of the Convertible Note.
Maturity Date:	the first anniversary following the date of issue of the Convertible Note.
Others:	Hennabun shall from time to time keep available for issue, free from preemptive rights, out of its authorised but unissued capital sufficient Hennabun Shares to satisfy in full the conversion rights under the Convertible Note and the terms of any other securities for the time being in issue which are convertible into or have the right to subscribe Hennabun Shares.
Listing:	No application will be made for the listing of the Convertible Note on the Stock Exchange or any other stock exchange.

INFORMATION ON LOAN AGREEMENT

The following table sets out each drawdown and settlement of the principal under the Loan Agreement:

Date	Particulars	Amount *(HK$)*	Outstanding Principal Balance *(HK$)*	Remarks
1 November 2010	Drawdown	$500,000,000	$500,000,000	First drawdown under the Loan Agreement
31 December 2010	Principal settlement	($250,000,000)	$250,000,000	Cash settlement
3 March 2011	Principal settlement	($250,000,000)	$0	Settled through the subscription of Hennabun Shares pursuant to the Share Subscription Agreement [Note 1]
16 March 2011	Drawdown	$25,000,000	$25,000,000	
29 March 2011	Principal settlement	($25,000,000)	$0	Cash settlement
4 April 2011	Drawdown	$75,000,000	$75,000,000	
8 April 2011	Drawdown	$100,000,000	$175,000,000	
13 April 2011	Drawdown	$75,000,000	$250,000,000	To be settled through the Subscription

The following table sets out details of interest income under the Loan Agreement:–

Period	Particulars	Amount *(HK$)*	Remarks
1 November 2010 to 31 December 2010	Interest income	Approximately $5.75 million	Actual cash received
1 January 2011 to 3 March 2011	Interest income	Approximately $2.83 million	Settled through the subscription of Hennabun Shares pursuant to the Share Subscription Agreement *Note 1*
16 March 2011 to 29 March 2011	Interest income	Approximately $0.07 million	Actual cash received

As at the Latest Practicable Date, total accrued and unpaid interest on the Outstanding Loan is approximately HK$6.9 million. The accrued and unpaid interest on the Outstanding Loan up to the Completion date shall be paid in cash or cheque by Hennabun to the Company on Completion.

Note 1 The Company would have entered into the Share Subscription Agreement and the Subscription Agreement irrespective of whether it pays for the subscription in cash or through settling of the principal and/or interest under the Loan Agreement.

The settlement of loan principal and/or interest without cash repayment both for the subscription of Hennabun Shares under the Share Subscription Agreement and the subscription of Convertible Note under the Subscription Agreement is simply a convenient way agreed between Hennabun and the Company to satisfy the Company's payment obligations under the above-mentioned subscription agreements.

The Loan Agreement will expire on 31 October 2011. Before expiry, Hennabun can at any time serve drawdown notice on the Company so long as the drawing does not exceed the outstanding (i.e. undrawn) amount of the revolving loan facility granted under the Loan Agreement. The total size of the facility under the Loan Agreement from 1 January 2011 to 31 October 2011 is HK$250 million. The Company is not aware of whether Hennabun has any intention to make further drawdowns under the Loan Agreement.

The subscription of Hennabun Shares as published in the Company's announcement on 3 March 2011 (the "March 2011 Subscription") was a result of a number of share placements by Hennabun to third parties during December 2010 to March 2011. Pursuant to these share placements, the Company's shareholding in Hennabun has been diluted down to less than 30% as of 3 March 2011. The Company is keen to maintain and strengthen its relationship with Hennabun through making a further equity investment into Hennabun, so as to foster an environment conducive to continued co-operation with Hennabun. The subscription price of HK$6 per Hennabun Share for the March 2011 Subscription is the same as the price of the share placements during December 2010 to March 2011 conducted by Hennabun. Upon the completion of the March 2011 Subscription, the Company's shareholding in Hennabun was increased to approximately 31.92%.

INFORMATION ON HENNABUN GROUP

Hennabun is a limited company incorporated under the laws of the British Virgin Islands and an investment holding company. Hennabun Group is principally engaged in security brokerage, commodity trading, money lending, margin financing and corporate finance advisory as well as proprietary trading and direct investment. As at the Latest Practicable Date, Hennabun has an authorised share capital of US$500,000,000 divided into 5,000,000,000 Hennabun Shares of US$0.10 each, and an issued share capital of US$38,707,112.60 divided into 387,071,126 Hennabun Shares of US$0.10 each.

As extracted from the financial information of the Hennabun Group set out in Appendix I in this circular, Hennabun Group has consolidated net assets of approximately HK$2,394.6 million as at 31 March 2011.

Extracts of the financial information of Hennabun Group are set out as below:

	For the year ended		
	31 December 2008	**31 December 2009**	**31 March 2011**
	(HK$' million)	*(HK$' million)*	*(HK$' million)*
Net profit (loss) before taxation	(79.7)	(59.2)	75.7
Net profit (loss) after taxation	(75.5)	(59.2)	74.0

Further financial information of the Hennabun Group is set out in Appendix I to this circular.

Hennabun Group is a diversified financial services group and the principal activities of Hennabun Group comprise of the followings:

(1) Brokerage and securities/futures trading services for clients

Hennabun Group executes trades in respect of securities listed on the Stock Exchange on behalf of its clients and charges a commission. The commission rates on securities dealing are agreed between Hennabun Group and the clients by negotiation and may vary on a case-by-case basis. Hennabun Group also offers margin financing with competitive margin rates to its clients, allowing greater flexibility on their fundings and thereby attracting clients to trade securities on margin basis. Major subsidiaries of Hennabun with brokerage and securities/futures trading activities include Radland International Limited ("Radland") and Chung Nam Securities Limited ("Chung Nam") with approximately 200 clients and 900 clients respectively. The customer base of these margin clients include both listed and unlisted corporations and individual clients.

(2) Underwriting and fund raising for clients

Hennabun Group acts as a placing agent and an underwriter/sub-underwriter mainly for the placing of existing and/or new shares of Hong Kong listed companies. The placing and underwriting commission charged by Hennabun Group is subject to negotiation with the client or corporation concerned and is generally in line with the market practice and pricing. Major subsidiaries of Hennabun with underwriting and fund raising activities include Radland and Chung Nam.

(3) Financial advisory services

Hennabun Group provides financial advisory services in various corporate finance transactions, including takeovers and mergers for the corporations. Major subsidiary of Hennabun with financial advisory services includes CU Corporate Finance Limited with approximately 15 clients.

(4) Loan and financings

Hennabun Group provides loans and advances to various borrowers. Hennabun Group currently charged interest on loans and advances granted to borrowers generally at a rate ranged from the prime rate to 15% per annum. Major subsidiaries of Hennabun with provision of loans and advances include Chung Nam Finance Limited and Sun Chung Nam Finance Limited with approximately 10 clients each.

(5) Investment management advisory and fund management services

Hennabun Group also provides investment management advisory and fund management services to both corporate and individual clients. A group of fund expertise is recruited by Hennabun Group to overview this business segment. Major subsidiaries of Hennabun include CU Investment Management Limited with approximately 10 clients.

A. Industry Overviews

(1) Brokerage and trading – Global equity markets have been relatively unsettled for a considerable time, including concerns over the global economic recession, the United States of America and European sovereign debt problem, and the Mainland monetary tightening measures. While Hong Kong has not been badly affected as other major equity markets, the Hong Kong equity market cannot completely be shielded from the current adverse sentiments. Consequently, this had dampened the level of interest from investors in the equity markets and has thus led to a general decline in the level of brokerage trading activities. Regarding the trading activities, the average daily turnover on the Hong Kong Main Board equity market was approximately HK$71 billion in the second quarter of 2011, which is around 7% lower than in the first quarter of 2011 or 17% lower than in the fourth quarter of 2010. The immediate outlook would remain uncertain for the foreseeable future. However Hennabun Group retains bullish the long term outlook for the securities market in Hong Kong.

(2) Underwriting and fund raising – Given the volatility of global equity markets and difficult economic conditions, the needs for funding are ever-increasing for both listed and unlisted companies. The amount of funds raised on the Hong Kong equity market was recently increased from approximately HK$22 billion in January 2011 to approximately HK$76 billion in June 2011. Accordingly, this created new business opportunities for fund raising whether by way of rights issues, placement or hybrid securities. However the adverse market conditions make fulfillment of fund raising activities difficult and create additional inherent risks for deals.

(3) Financial advisory services – With the number of listed companies in Hong Kong greatly increasing, there are many transactions that require the services of compliance and financial advisories. On the other hand, the volatility of the equity markets will lower the level of transactions in general, however this is partly compensated by the comparatively robust economic and market conditions in China.

(4) Loan financings, particularly margin financings are strongly correlated to the brokerage business. The poor economic environment will both increase the need of financing but also the default risks associated with this business.

(5) Investment management and fund advisory services – As more companies are willing to increase their rate of return by investing in both mainstream and alternative products, rather than putting idle funds into bank accounts, this has greatly increased the demand for investment advisory services such as those offered by Hennabun Group, as well as the provision of investment management services.

B. Regulatory Environment

Regulation

Below is the summary of certain aspects of the regulatory environment in Hong Kong and Singapore which are relevant to the Hennabun Group's business and operation.

Two-tier regulatory framework in Hong Kong

Hennabun Group complies with two-tier regulatory framework that exists in Hong Kong. The first tier of regulation, Companies Ordinance, is enforced by the Companies Registry of Hong Kong which advises the Hong Kong Government on policy and legislative issues regarding company law and related legislation. The second tier of regulation rested with the SFC, which are further described in the following paragraphs:

SFC

Established in May 1989, the SFC is the statutory body governed by the SFO which came into effect on 1 April 2003. The SFC serves as the principal regulator of the securities and futures market in Hong Kong. Furthermore, the SFC also has a role of monitoring listing applications and listed companies in Hong Kong. The SFC's regulatory objectives as set out in the SFO are:

- to maintain and promote the fairness, efficiency, competitiveness, transparency and orderliness of the securities and futures industry;
- to promote understanding by the public of the operation and functioning of the securities and futures industry;
- to provide protection for members of the public investing in or holding financial products;
- to minimise crime and misconduct in the securities and futures industry;
- to reduce systemic risks in the securities and futures industry; and
- to assist the Financial Secretary of the Hong Kong Government in maintaining the financial stability of Hong Kong by taking appropriate steps in relation to the securities and futures industries.

It is the task of the SFC to license any person carrying on a business of dealing in securities or futures like securities dealers, futures dealers, etc. Furthermore, it supervises and monitors the operations of the Stock Exchange, which operates the Stock Exchange, the Futures Exchange and Hong Kong Securities Clearing Company. The SFC can enquire into licensed corporations suspected prejudicial or fraudulent transactions or provision of false or misleading information to the public. All members of the board of the SFC are appointed by the Chief Executive of Hong Kong.

The SFC is divided into four operational divisions in order to carry out its tasks:

- The Corporate Finance Division is responsible for the dual filing functions in relation to listing matters, administering the Takeovers Code, overseeing the Stock Exchange's listing-related functions and responsibilities, and administering securities and company legislation relating to listed and unlisted companies.

- The Intermediaries and Investment Products Division is responsible for devising and administering licensing requirements for securities and futures, and leveraged foreign exchange trading intermediaries, supervising and monitoring intermediaries' conduct and financial resources, and regulating the public marketing of investment products.

- The Enforcement Division is responsible for conducting market surveillance to identify market misconduct for further investigation, undertaking inquiry into alleged breaches of relevant ordinances and codes, including insider dealing and market manipulation, and instituting disciplinary procedures for misconduct by licensed intermediaries.

- The Supervision of Markets Division is responsible for supervising and monitoring activities of the exchanges and clearing houses, encouraging development of the securities and futures markets, promoting and developing self-regulation by market bodies.

Licensing regime

The SFC operates a system of authorising corporations and individuals (through licenses) to act as financial intermediaries. The SFC issues licenses to corporations and individuals carrying on the following regulated activities:

Type 1 – dealing in securities;

Type 2 – dealing in futures contracts;

Type 3 – leveraged foreign exchange trading;

Type 4 – advising on securities;

Type 5 – advising on futures contracts;

Type 6 – advising on corporate finance;

Type 7 – providing automated trading services;

Type 8 – securities margin financing; and

Type 9 – asset management.

Persons applying for licenses and registrations under the SFO, including licensed representatives and responsible officers, must satisfy and continue to satisfy after the grant of such licenses that they are fit and proper persons to be so licensed or registered. In simple terms, a fit and proper person means one who is financially sound, competent, honest, reputable and reliable. The Fit and Proper Guidelines are issued by the SFC, which outline a number of matters that the SFC shall have regarded to in assessing a person's fitness and properness, which include his:

(a) financial status or solvency;

(b) educational or other qualifications or experience having regard to the nature of the functions to be performed;

(c) ability to carry on the regulated activity competently, honestly and fairly; and

(d) reputation, character, reliability and financial integrity.

The above matters must be considered in respect of the person (if an individual), the corporation and any of its officers (if a corporation) or the institution, its directors, chief executive, managers and executive officers (if an authorised financial institution).

The SFC is obliged to refuse an application to be licensed if the applicant fails to satisfy the SFC that the applicant is a fit and proper person to be licensed. The onus is on the applicant to make out a case that the applicant is fit and proper to be licensed for the regulated activity.

The licensed representatives must demonstrate the competence requirement under the SFO. They have to establish that they have the requisite basic understanding of the market in which they are to work as well as the laws and regulatory requirements applicable to the industry. In assessing their competence to be licensed as a licensed representative, the SFC will have regard to their academic qualification, industry qualification and regulatory knowledge.

The responsible officers must demonstrate the requirements on both competence and sufficient authority. They should possess appropriate ability, skills, knowledge and experience to properly manage and supervise the corporation's business of regulated activities. Basically, they have to fulfill certain requirements on academic/industry qualification, industry experience, management experience and regulatory knowledge.

The licensed corporations and license representatives remain fit and proper which comply with applicable provisions of the SFO. The licensed corporations submit their audited accounts and other required documents within four months after the end of each financial year as required under Section 156(1) of the SFO. The licensed corporations submit their monthly financial resources returns to the SFC except for those licensed corporations for only Type 4 (advising on securities), Type 5 (advising on futures contracts), Type 6 (advising on corporate finance) and/or Type 9 (asset management) regulated activities and their licenses are subject to the condition that they shall not hold client assets. The licensed corporations and licensed persons pay their annual fees within one month after each anniversary date of the licenses or registrations under Section 138(2) of the SFO.

Anti-money laundering and terrorist financing

Money laundering covers a wide range of activities and processes intended to alter the identity of the source of illegally obtained money in a manner which creates the appearance that it has originated from a legitimate source. Terrorist financing is a term used to refer to financial transactions involving funds or property that are owned or controlled by terrorists or transactions linked to terrorist activities.

The licensed corporations registered under the SFO are required to comply with the Hong Kong laws and the SFC Guidance Notes on Prevention of Money Laundering and Terrorist Financing Guidance Note (防止洗黑錢及恐怖分子籌資活動的指引) which require licensed corporation, amongst other things, to adopt and enforce "know your clients" policies and procedures. Staff of licensed corporations who knows, suspects or has reasonable grounds to believe that a client might have engaged in money laundering activities must immediately report to the compliance division/senior management of its organisation which, in turn, will be reported to the Joint Financial Intelligence Unit (聯合財富情報組).

Relevant Legislation

The three main pieces of legislation in Hong Kong that are concerned with money laundering and terrorist financing are:

(i) The Drug Trafficking (Recovery of Proceeds) Ordinance (Cap.405);

(ii) The Organised and Serious Crimes Ordinance (Cap. 455); and

(iii) The United Nations (Anti Terrorism Measures) Ordinance (Cap.575).

Definition of money laundering

"Money Laundering" covers a wide range of activities and processes intended to alter the identity of the source of illegally obtained money in a manner which creates the appearance that it has originated from a legitimate source.

Stages of money laundering

Money laundering is traditionally identified as having three stages, which are:

(i) Placement – the physical disposal of cash proceeds derived from illegal activities;

(ii) Layering – separating illicit proceeds from their source by creating complex layers of financial transactions designed to disguise the source of the money; and

(iii) Integration – creating the appearance that the proceeds are the results of, or connected to, legitimate business activities.

Definition of terrorist financing

"Terrorist financing" refers to the carrying out of transactions involving funds or property that are owned or controlled by terrorists or terrorist organisations, or transactions that are linked to, or likely to be used in, terrorist activities. Terrorists or terrorist organisations require financial support in order to achieve their aims. There is often a need for them to obscure or disguise links between them and their funding sources.

Hennabun Group has established a number of policies and procedures for the prevention of money laundering and terrorist financing in its operation manual to identify and detect money laundering activities, which include the following:

(i) Client Identification

Licensed corporations of Hennabun Group take all reasonable steps to establish, to their satisfaction, the true and full identity of each client, and of each client's financial situation and investment objectives. Whenever possible, the prospective customer will be interviewed personally.

New client will be asked whether the account is opened on behalf of another person. If so, identity of all the parties who have an interest in the accounts (including the legal and beneficial owners) along the lines of the account opening procedures will be checked by the responsible personnel of the licensed corporations. Positive identification of a client will be made with reference to his/her valid passport or identity card. In respect of corporate or partnership clients, it is important to identify the directors or partners, the account signatories and the nature of the business. Particular care will be taken when a corporation has complex ownership structure. No anonymous or fictitious accounts will be allowed.

A list of terrorist or terrorist associate names is published in the Gazette from time to time pursuant to Section 10 of the United Nations Sanctions (Afghanistan) Regulation and Section 4(1) of the United Nations (Anti Terrorism Measures) Ordinance. The licensed corporation will check the client base against the list to ensure compliance.

(ii) Retention of Records

Records of the evidence obtained on clients' identity and evidence of transactions effected by clients are maintained. The following document retention terms are suggested by the relevant regulatory authorities and are implemented by the licensed corporations:

a. All necessary records on transactions, both domestic and international, will be maintained for at least seven years. Such records must be sufficient to permit reconstruction of individual transactions (including the amounts and types of currency involved, if any) so as to provide, if necessary, evidence for prosecution of criminal behaviour.

b. Records on customer identification (e.g. copies or records of official identification, documents like passports, identity cards, driving licenses or similar documents), account files, and business correspondence will be kept for at least five years after the account is closed.

In situations where the records relate to on going investigations or transactions which have been the subject of disclosure, they are retained until it is confirmed that the case has been closed.

(iii) Recognition and Reporting of Suspicious Transactions

The licensed corporations of Hennabun Group are obliged to disclose suspicious transactions to the relevant regulatory authorities. Should an employee be aware of any suspicious transaction, this employee will bring the transaction to the urgent attention to the responsible officer for review. If suspicion remains, the responsible officer will report the incident to the relevant regulatory authorities.

All reports made by the employee to the licensed corporations and all reports made by the licensed corporations to the relevant regulatory authorities will be kept and filed properly.

Employees are not allowed to inform their customers when information relating to them is being reported to the relevant regulatory authorities.

(iv) Education and Training

All employees of the licensed corporations are aware of the anti-money laundering/ anti terrorism policies as they may be personally liable should they fail to report information as required by the relevant regulatory authorities. All employees are encouraged to attend the training that is organised by the relevant regulatory authority.

Regulatory frameworks in Singapore

Hennabun Group fund management business managed by Seekers Advisors Pte. Ltd. is maintained in compliance with the rules and regulations of the Monetary Authority of Singapore, as it is based out of Singapore.

C. Business environment

The business model, target customers, mode of operations and competitive advantages of Hennabun Group are all inter-related. Hennabun Group has a healthy capital base, certain of its subsidiaries are licensed corporations under the SFC and are strictly in compliance with the Securities and Futures (Financial Resources) Rules (the "FRR") to undertake transactions that require substantial funding commitments. The following will give a comprehensive view on the ways Hennabun Group conducts its financial service businesses.

Hennabun Group has committed to diversify the base of its shareholders, many of such are listed companies. This networking is extremely important as it provides an immediate and well defined source of potential business opportunities as well as strengthen its capital base. Furthermore such network also improves its capabilities in fulfillment, in that Hennabun Group is able to provide sourcing of placees in placements, locating potential investors in projects and sub-underwriters for fund raising transactions thus enabling Hennabun Group to execute and complete a high number of transactions for clients when opportunities arises.

Besides the diversified and strong shareholders base of Hennabun, Hennabun Group independently has strong and stable clients, many of whom are corporate clients that Hennabun Group has been providing financial services for years. Given the sound financial resources and extensive clientele of Hennabun Group, Hennabun Group is competitive in soliciting new clients and has further business growth potential.

Risks relating to the business and operations of Hennabun Group

Risk of non-compliance of rules and regulations

The Hong Kong financial services industry in which Hennabun Group's operates is highly regulated.

There are changes in rules and regulations from time to time in relation to the regulatory regime for the financial services industry, including but not limited to the SFO, the Companies Ordinance, the Listing Rules or the rules governing the listing of securities on the GEM, the FRR and the Takeovers Code.

Any such changes might result in an increase in Hennabun Group's cost of compliance, or might require Hennabun Group to restrict its business activities. In case Hennabun Group fails to comply with applicable rules and regulations from time to time, it might result in fines, restrictions on Hennabun Group's activities or even suspension or revocation of some or all of Hennabun Group's business licences. Accordingly, the business and financial performance of Hennabun Group would be materially and adversely affected. Furthermore, some of the members of Hennabun Group are or may be required to be, and to remain, licensed with the relevant regulatory authorities including without limitation, as licensed corporations under the SFO. In this respect, members of Hennabun Group have to ensure continuous compliance with all applicable laws, regulations and codes, and to satisfy the SFC, the Stock Exchange and/or other regulatory authorities that they remain fit and proper to be licensed. If there is any change to or tightening of the relevant laws, rules and regulations, it may adversely affect Hennabun Group's operations and business.

Volatility of the Hong Kong securities and futures market

Hennabun Group's key revenue streams are generated from brokerage operations and financing business, which are mainly dependent upon the performance of the financial markets of Hong Kong as a whole. The Hong Kong financial markets are directly affected by, among others, the global and local political, economic and social environments. Historically, global and local financial markets have fluctuated considerably over time. Any sudden downturn in these financial markets may adversely affect the market sentiment in general, and hence the trading volume and brokerage commission income/interest income of Hennabun Group, which would in turn adversely affect the financial performance of Hennabun Group.

Risk of financing business

Hennabun Group normally obtains liquid securities and/or cash deposits as collateral for providing margin financing to its clients. Margin loan provided to a client is required to be maintained within the margin value of his/her pledged securities, which means the aggregate market value of his/her pledged securities after discounts. It is Hennabun Group's policy that once the margin value falls below the outstanding amount of the loan as a result of market downturn or adverse movement in the prices of the pledged securities, Hennabun Group will make a margin call requesting the client to deposit additional funds, sell securities or pledge additional securities to top up their margin value. In the event that a client is unable to meet a margin call, Hennabun Group is entitled to dispose of the pledged securities and use the sale proceeds thereof towards repayment of the loan. However, there is a risk that the amount recovered from the disposal of the pledged securities may fall short of the outstanding amount of the loan. Hennabun Group would suffer a loss if it fails to recover the shortfall from its clients.

Competitive pressure

The financial services industry in Asia and particularly in Hong Kong has a large number of participants and is highly competitive. New participants may enter the industry provided that they possess professionals with the appropriate skills and are granted with the requisite licences and permits. Apart from the large multi-national financial institutions such as banks and investment banks with global network and local presence in Hong Kong, Hennabun Group faces local competition from branded medium-sized and established financial services firms, as well as other small-sized financial services firms, which offer similar range of brokerage services and financial assistance of Hennabun Group. Hennabun Group may not be able to compete effectively and successfully with its competitors, and Hennabun Group's results of operations may be adversely affected should such competition intensify.

Risks relating to the industry

Competition in internet securities trading

Hennabun Group faces increasing competition because of the internet trading technology currently being developed or which may be developed in the future by both its existing competitors as well as new market entrants. Even though Hennabun Group also provides interest trading platform to its clients, Hennabun Group cannot accurately predict how emerging and future technological changes in internet trading will affect Hennabun Group's operation or the competitiveness of Hennabun Group's services.

High level of liquidity required

Pursuant to the FRR, a licensed corporation shall maintain liquid capital which is not less than the required level at all times. Hennabun Group must maintain a high level of liquidity at all times to comply with the FRR. Failure to meet the above requirement may cause the SFC to take appropriate actions against Hennabun Group, which may adversely affect Hennabun Group's operations and performance.

D. Enforcement and disciplinary actions

Generally, the operation of the licensed corporations in Hennabun Group is subject to the securities laws, rules and regulations promulgated by the SFC. In the past, the SFC has made some disciplinary actions to Hennabun Group in relation to the weaknesses of the internal control of Hennabun Group and non-compliance with the SFC's Code of Conduct and Internal Control Guidelines, and the details of which are as follows:

Date of Press Release by the SFC	Disciplinary actions	Name and identity of the persons/ responsible offices involved	Rectification actions	Time of implementation	Result of implementation
November 2006 and July 2008	Two former licensed representatives of Radland, Mr. Leung Moon Tong ("Mr. Leung") and Mr. Ma Ching Ning ("Mr. Ma") had misappropriated client assets in excess of HK$6 million since 1998.	Radland and Mr. Leung and Mr. Ma, two former licensed representatives of Radland	Both Mr. Leung and Mr. Ma resigned as licensed representatives of Radland after the final judgement by the SFC. Hennabun Group required each employee to read and follow the SFC's Code of Conduct and Internal Control Guidelines to safeguard clients' assets.	Immediately after identification by the SFC	No such problem being identified again
	The SFC issued a reprimand to Radland and fined it $1.5 million and the two former licensed representatives were banned by the SFC from re-entering the industry for life.				

Date of Press Release by the SFC	Disciplinary actions	Name and identity of the persons/ responsible offices involved	Rectification actions	Time of implementation	Result of implementation
December 2007 and November 2008	Chung Nam and Dr. Henry Chuang Yueheng ("Dr. Chuang") had failed to institute proper or sufficient systems to safeguard client assets and failed to establish an effective procedure for ensuring client securities are protected from misappropriation. The SFC issued a reprimand to Chung Nam and Dr. Chuang and fined them HK$700,000 and HK$350,000 respectively.	Chung Nam and Dr. Chuang, a former Chairman of the ultimate holding company of Chung Nam	All stock withdrawal orders required proper authorisation by the owner of the securities and all these orders were approved by the authorised personnel of Chung Nam	Immediately after identification by the SFC	No such problem being identified again
August 2010	Two responsible officers, Mr. Cheng Wai Chung ("Mr. Cheng") and Mr. Ng Kwai Cho ("Mr. Ng") of Chung Nam was reprimanded for non-compliance with the SFC's Code of Conduct and Internal Control Guidelines in handling client orders for the shares of Pacific Century Cyber Work The SFC fined Chung Nam of HK$800,000 and Mr. Cheng and Mr. Ng of HK$250,000 each	Chung Nam and Mr. Cheng and Mr. Ng, the two responsible officers of Chung Nam	All orders received and executed are strictly required to be timely stamped.	Immediately after identification by the SFC	No such problem being identified again

Other than as disclosed above, there were no non-compliance matters identified by the SFC and/or other regulators upon Hennabun Group.

E. Internal control system and risk management policies

The directors of Hennabun Group are responsible for maintaining and reviewing the effectiveness of the internal control systems within Hennabun Group, especially for those licensed corporations. The internal control system of Hennabun Group involves major operating areas of the business of the licensed corporations, including accounts opening and handling, dealing practices, settlement and anti-money laundering. Proper management of risks, including key personnel, margin policy, credit policy, accounting and settlement system, risk management, dealing practices and error trade are important to the business of Hennabun Group.

Hennabun Group has implemented policies and procedures on these areas and continuous revisions to its relevant policies and procedures will be made from time to time with reference to the "Code of Conduct for Persons Licensed by or Registered with the Securities and Futures Commission" issued by the SFC. Each business division of Hennabun Group has an independent internal control system and risk management policies specific to each type of business. Therefore, a compliance department works independently of each business division. However, Hennabun Group is currently leveraging off of its internal legal department to monitor, review and modify the internal control systems while building up its group-wide compliance department. Hennabun Group's goal is to have a group-wide comprehensive internal control policies and procedures with the assistance of various independent compliance departments for each business division.

a. Major internal control policies and procedures

(i) Staff dealing policy

In Hennabun Group, each staff has his/her own dealing account within the branch office and the position, credit and margin limits have to be pre-approved. Prior to the passing of the staff order to the dealer for execution, approval must be obtained. In case of the cross trade transactions between client and staff and Hennabun's positions, pre-approval is required. Employees are required to disclose their securities position, including account of any broker firms controlled by the employee, upon joining Hennabun Group and their subsequent trading activities and securities position. Employees, after joining Hennabun, who open securities accounts to trade through either Hennabun and any other broker firms (including those within Hennabun Group), should obtain approval in advance.

(ii) Chinese wall

As a securities house with a diversified range of business, Hennabun Group inevitably faces conflict of interests where two or more interests exist legitimately but which are competitive in nature. Hennabun Group recognises the importance of managing such conflict of interests so as to protect the interests of its clients and staff. Hence, Chinese walls are established within Hennabun Group to prevent and control possible areas of conflicts by controlling the flow of non-public material information, hence preserving the integrity of our operations.

The Chinese wall is a theoretical barrier to ensure that non-public material information regarding listed companies which is obtained in one part of business is not released to other divisions of Hennabun Group. The Chinese wall aims to isolate those persons who make investment decisions from those who are privy to non-public material information which may influence those decisions. Hennabun Group has developed and implemented reasonable policies and procedures to safeguard inside information, and to ensure no improper trading occurs. To enforce the Chinese wall policy on an administrative level, Hennabun Group has established physical segregation and password-protected access between departments and functional units.

(iii) Segregation of duties

To minimise the chance of collusion, duties and functions within each of business operations are assigned to and discharged by difference teams of staff and key duties and functions appropriately segregated; particularly those duties and functions when performed by the same individual may result in undetected errors or may be susceptible to abuses which may put the interest of Hennabun Group or its clients at risk. Hennabun Group's sales and trading functions are segregated from its operation functions. Hennabun Group's credit and compliance functions are segregated. Hennabun Group has a segregated reporting line for the staff of each of the settlement, accounting, compliance, credit control, customer services, dealing and personnel functions.

(iv) Conflict of interests

Conflict of interest arises in situations where two or more interests legitimately exist but which are in competition or conflict. Conflicts may arise between interests of different operating activities within Hennabun Group, or between interests of Hennabun Group and those of clients, or between interests of different clients, or between interests of staff's personal activities and those of Hennabun Group, or between interests of staff's personal activities and those of clients. Hennabun has carried out its policy to ensure that there is an adequate level of staff awareness of the issues relating to conflict of interests, and its staff understands the basic principles relating to client priority, insider dealing, confidentiality, staff dealings and Chinese wall, and conflict of interest is avoided whenever possible or kept to a minimum and properly disclosed and handled.

(v) Opening client accounts

All dealing staff has to obtain the necessary registration with the Stock Exchange and the SFC before commencement of work. For ordinary risk client account, dealing staff has to record and retain the true identities of the client, the beneficial owner(s) and representative(s) who are authorised to issue instructions, the financial position and investment experiences and objective of the client, related specimen signatures and supporting documents. All information relating to the clients are kept in strict confidence and maintained in an orderly manner. All applications and amendments to existing accounts have to be reviewed for completeness and reasonableness and approved by the responsible personnel. For high risk client account, in addition to the above procedures for ordinary risk client account, designated staff of high risk client is responsible for the specific review of these clients' credit background/history and for the assessment of the margin limit to be granted. Designated staff will also perform regular review on these clients' trading records and the adequacy of the available margin limit from time to time.

(vi) Handling error trades

During the course of Hennabun's brokerage business operations, error trades may be entered into by the employees of Hennabun when processing orders placed by clients. These error trade positions may arise from mistakes made by an employee when inputting data or recording client's instructions. Upon discovery of any error trade, all error trades are required to be reported immediately, any correction actions must be approved by director and the responsible staff should prepare error reports and explain the reasons for error trade. This report is required to be approved by director and corresponding immediate action has to be taken to close such error trade positions made by its staff.

b. Risk management policies and procedures

(i) Credit risk

Credit risks are primarily attributable to margin loan business and money lending business as Hennabun Group trades mainly with recognised, creditworthy third parties. It is Hennabun Group's policy that all customers who wish to trade in securities with Hennabun Group's margin facilities or borrow money from Hennabun Group are subject to credit verification procedures. The exposures to the credit risk are monitored on an ongoing basis.

(ii) Liquidity risk

Hennabun Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank overdrafts and interest-bearing borrowings. Hennabun Group does not have a specific policy in place but the exposure to the liquidity risk is monitored on an ongoing basis.

(iii) Foreign currency risks

Foreign currency risks are risks that arises from changes in foreign exchange rates. Hennabun Group is exposed to foreign currency risk because some subsidiaries are operated outside Hong Kong, which incurred foreign currency transactions and principally denominated in Singapore dollars. Hennabun Group currently does not have policies to hedge this exposure as the management of Hennabun considered such exposure is limited.

(iv) Interest rate risk

Hennabun Group's exposure to market risk for changes in interest rates relates primarily to Hennabun Group's interest-bearing loans receivable, bank balances, bank overdrafts and interest-bearing borrowings, which are mainly based on the prime rate or the bank saving accounts rate plus/minus a certain percentage. Hennabun Group does not have a specific policy in place but the exposures to the interest rate risk are monitored on an ongoing basis.

F. Key historical internal control weaknesses

Statutory audits of the licensed corporations in Hennabun Group for the fifteen months ended 31 March 2011 have been conducted by the respective auditors and the two key historical internal control weaknesses highlighted by the respective auditors are: (1) a high concentration of stock collaterals of margin loans; and (2) a high concentration of the margin loans portfolio.

In respect of the above key internal control weaknesses, the licensed corporations of Hennabun Group accepted their auditors' recommendations and agreed to improve the corresponding internal control procedures.

G. Biography of the directors and responsible officers of Hennabun Group

(1) Directors of Hennabun

Dr. Wong Foelan ("Dr. Wong"), has more than 10 years of professional experiences in the financial services industry. Dr. Wong has worked for regional financial institutions. Dr. Wong has been engaged in proprietary trading in equity, futures and options, fund management, research analyst, equity capital market and private equity investment. Dr. Wong is a licensed responsible officer under the SFO. Dr. Wong graduated from Edith Cowan University in Australia and received a Master of Management Information Systems degree and a doctorate degree in the United States. Dr. Wong was appointed as the managing director of CU Investment Management Limited since March 2010.

Ms. Liao, Miao Ling Cindy ("Ms. Liao"), the permanent managing director of Hennabun, is a seasoned professional in the brokerage and related securities businesses having worked in this field for over 17 years. Ms. Liao received her education in Hong Kong and initially worked in the tourism sector prior to joining Chung Nam Securities Limited, one of the brokerage arms of Hennabun Group, in 1993 and had since worked for Hennabun Group with the exception of 3 years when she worked for CA Pacific Securities Limited and Peace Town Securities Limited respectively. Having been a long time veteran in the securities business, she is well-versed in all phases of the business. Ms. Liao was appointed as the managing director of Hennabun Group since November 2009.

(2) Responsible officers for the licensed corporations of Hennabun Group

Mr. Cheng Wai Chung, is the responsible officer of Chung Nam and Chung Nam Commodities Limited since November 2004. He is permitted under the SFO to engage in Type 1 (dealing in securities) and Type 2 (dealing in futures contracts) activities and has over 30 years working experience in financial and investment industry and he is especially focusing in securities and commodities trading.

Mr. Ng Kwai Cho, is the responsible officer of Chung Nam, and Chung Nam Commodities Limited since November 2004 and he is also the responsible officer of Radland since July 2006. He is permitted under the SFO to engage in Type 1 (dealing in securities) and Type 2 (dealing in futures contracts) activities and has over 19 years working experience in financial industry and he is responsible for overall management and operation of securities and commodities business.

Ms. Wong Wan Men Margaret, is the responsible officer of CU Corporate Finance Limited since May 2011. She is permitted under the SFO to engage in Type 6 (advising on corporate finance) activity. She is also the managing director of CU Corporate Finance Limited and is responsible for overall management and operation of the corporate finance advisory unit.

Dr. Wong, is the responsible officer of Chung Nam Commodities Limited and Radland since September 2010 and he is also the responsible officer of CU Investment Management Limited since February 2010. He is permitted under the SFO to engage in Type 1 (dealing in securities), Type 2 (dealing in future contracts), Type 4 (advising on securities) and Type 9 (asset management) activities and he is also the director of Hennabun and has more than 10 years professional experience in financial services industry.

Mr. Au Yeung Kam Kay, is the responsible officer of Radland since January 2011 and he is also the responsible officer of CU Investment Management Limited since August 2010. He is permitted under the SFO to engage Type 1 (dealing in securities), Type 4 (advising on securities) and Type 9 (asset management) activities and has over 30 years experience in financial and investment industry.

Mr. Chin Wui Leong, is the responsible officer of CU Corporate Finance Limited since July 2009. He is permitted under the SFO to engage in Type 6 (advising on corporate finance) activity and has over 18 years of professional experience in corporate finance and expert valuation advisory.

The Company has no current plan to appoint any directors and/or assign any management expertise to Hennabun Group.

REASONS FOR AND BENEFITS OF THE SUBSCRIPTION AND THE POSSIBLE CONVERSION

Since the Company's announcement dated 3 March 2011 (the "3 March Announcement"), the Directors note that Hennabun has made a number of additional equity and equity-linked securities placements during March to May 2011 before the signing of the Subscription Agreement. On 26 April 2011, Hennabun approached the Company and informed the Company that it is in discussions with Cordoba Homes Limited ("Cordoba") in respect of a potential subscription of a HK$300 million redeemable convertible note in Hennabun by Cordoba. On 27 April 2011, the subscription agreement for the HK$300 million redeemable convertible note between Cordoba and Hennabun was executed. Following discussions between the Company and Hennabun, both the Company and Hennabun agreed that the Company would not take up its entire entitlement under the right of first refusal granted pursuant to the subscription agreement entered amongst the Company, Hennabun and Cordoba on 3 March 2011 (details of this subscription agreement is published in the 3 March Announcement). Instead, Hennabun has agreed to issue and the Company has agreed to subscribe for the Convertible Note and signed the Subscription Agreement on 17 May 2011.

The Company sees its investments in Hennabun as an integral part of its overall focus on the financial services sector. Furthermore, there is potential for co-operation between the Group and Hennabun Group going forward, including in the area of investment funds as described in the 3 March Announcement. The Convertible Note as well as the Possible Conversion would allow the Company to maintain and strengthen its relationship with Hennabun as well as foster an environment conducive to continued cooperation.

The Directors hold a positive outlook for the securities and financial services industry. The Directors believe that subscribing for the Convertible Note as well as the Possible Conversion is an effective means for the Company to participate in the vast opportunities and potential upside offered by this industry.

The Conversion Price of HK$6 per Hennabun Share is the same as the issuance price/conversion price of the recent equity and equity-linked securities placements conducted by Hennabun (the share placement described in the Company's announcement dated 4 November 2010 and circular dated 3 December 2010 being the first of such placements), as well as a number of placements of new Hennabun Shares by various investors during March to May 2011 and one additional placement of new Hennabun Shares in August 2011, and a share repurchase of 3,330,000 Hennabun Shares completed on 24 May 2011 (after the signing of the Subscription Agreement). The Conversion Price is at a discount of approximately 13.0% to Hennabun's audited net book value of HK$6.78 per Hennabun Share as of 31 March 2011.

The consideration of the Subscription will be satisfied by setting off the principal amount of the Outstanding Loan which brings no cash flows from Hennabun to the Group. Despite the illiquid nature of the Convertible Note, the Subscription also gives an option to the Company to convert the Convertible Note into Conversion Shares to capture any potential upside in Hennabun's performance, or have the Convertible Note fully repaid at the Maturity Date or before (if the conversion rights under the Convertible Note are not exercised).

The Subscription Price and the terms and conditions of the Subscription Agreement were negotiated on arm's length basis with reference to the factors considered: (i) the issue price/conversion price of the recent equity/equity-linked securities placements conducted by Hennabun (where all the issue price/conversion price are all the same at HK$6 per Hennabun Share), (ii) the audited net book value per Hennabun Share as mentioned above, and (iii) the historical performance and future prospects of Hennabun Group. On the basis of the matters described in this section, the Board of Directors believe the terms of the Subscription and the Possible Conversion are fair and reasonable and in the interests of the Shareholders as a whole. The Company will make further announcement to update investors for any further drawdown and settlement of the loan and interest under the Loan Agreement.

FINANCIAL EFFECT OF THE SUBSCRIPTION AND THE CONVERSION OF THE CONVERTIBLE NOTE

(i) Upon Completion, the Convertible Note will be recognised as a financial asset of the Group's consolidated statement of financial position with a setoff of the Outstanding Loan. There will be no significant financial impact on the net assets or earnings of the Group.

(ii) Up to the Latest Practicable Date, Hennabun is an associate of the Group. Upon any conversion of the Convertible Note into the Conversion Shares, Hennabun is treated as an associate (within the meaning of Hong Kong accounting Standard 28 - Investments in Associates) of the Company and the converted Conversion Shares will be accounted for in the Group's consolidated financial statements using the equity method in accordance with Hong Kong Accounting Standard 28 – Investments in Associates.

(iii) More attention is also drawn in Appendix III which sets out the additional unaudited pro forma consolidated statement of financial position of the Group for illustrative purposes.

Assets

As at 31 March 2011, the audited consolidated total assets of the Group amounted to HK$2,851.9 million.

As set out in Appendix III to this circular, assuming completion of the Subscription had taken place on 31 March 2011, the unaudited pro forma consolidated total assets of the Group would be HK$2,851.9 million.

As set out in Appendix III to this circular, assuming the completion of the Subscription and the full conversion of 41,666,667 Hennabun Shares had taken place on 31 March 2011, the unaudited pro forma consolidated total assets of the Group would be HK$2,874.9 million.

Liabilities

As at 31 March 2011, the audited consolidated total liabilities of the Group amounted to HK$350.1 million.

As set out in Appendix III to this circular, assuming the completion of the Subscription had taken place on 31 March 2011, the unaudited pro forma consolidated total liabilities of the Group would remain at HK$350.1 million.

As set out in Appendix III to this circular, assuming the completion of the Subscription and the full conversion of 41,666,667 Hennabun Shares had taken place on 31 March 2011, the unaudited pro forma total liabilities of the Group would remain at HK$350.1 million.

Earnings

The Group recorded an audited consolidated loss of HK$171.5 million for the year ended 31 March 2011.

As set out in Appendix III to this circular, there will be no significant financial impact on earnings of the Group upon the completion of the Subscription.

As set out in Appendix III to this circular, assuming the completion of the full conversion of 41,666,667 Hennabun Shares had taken place on 31 March 2011, an estimated gain of approximately HK$23.0 million will be recognised and increase the earnings of the Group with the same amount accordingly.

GENERAL INFORMATION

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

LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios calculated under Rule 14.07 of the Listing Rules in respect of the Subscription and the Possible Conversion (when added together with the subscription of Hennabun Shares as described in the 3 March Announcement) is more than 25% but less than 100%, the Subscription and the Possible Conversion constitutes a major transaction for the Company under Chapter 14 of the Listing Rules and accordingly, shall be subject to Shareholders' approval at the EGM by the way of poll.

EGM

A notice convening the EGM to be held at 30/F., China United Centre, No. 28 Marble Road, North Point, Hong Kong on Monday, 19 September 2011 at 9:00 a.m. is set out on pages EGM-1 to EGM-2 of this circular.

A proxy form for use at the EGM is enclosed herewith. Whether or not you intend to attend the EGM, you are requested to complete the proxy form and return it to the Company's branch share registrar in Hong Kong, Tricor Secretaries Limited at 26/F., Tesbury Centre, 28 Queen's Road East, Wan Chai, Hong Kong as soon as possible and in any event not later than 48 hours before the time appointed for holding of the meeting or any adjournment thereof (as the case may be). Completion and return of the proxy form will not preclude you from attending and voting in person at the EGM or any adjourned meeting if you so wish but the authority of your proxy will be invalidated forthwith.

The EGM will be held by the Company for the Shareholders to consider, and if thought fit, pass the resolution to approve the Subscription Agreement and the transactions contemplated thereunder (including the Possible Conversion).

Pursuant to 13.39(4) of the Listing Rules, any vote of the Shareholders at a general meeting shall be taken by poll. The Company will announce the results of the poll in the manner prescribed under Rule 13.39(5) of the Listing Rules.

To the best of the Directors' knowledge, information and belief, and having made all reasonable enquiries, none of the Shareholders and its associates (as defined under the Listing Rules) has a material interest in the Subscription Agreement and the transactions contemplated thereunder (including the Possible Conversion); and no Shareholder who is required to abstain from voting on the relevant resolution to be proposed at the EGM.

RECOMMENDATION

The Board is of the view that the terms of the Subscription Agreement and the Possible Conversion are fair and reasonable and in the interests of the Shareholders as a whole and recommend the Shareholders to vote in favour of the proposed ordinary resolution to approve the Subscription Agreement and the transactions contemplated thereunder (including the Possible Conversion) at the EGM.

ADDITIONAL INFORMATION

Up to the Latest Practicable Date, assuming the exercise in full by the Company of its conversion rights under the Convertible Note, the Group will directly own (i) approximately 36.02% of the enlarged total issued share capital of Hennabun (assuming the conversion or other rights to subscribe for Hennabun Shares already granted by Hennabun to other parties are not exercised at all), or (ii) approximately 31.11% of the enlarged total issued share capital of Hennabun (assuming the conversion or other rights to subscribe for Hennabun Shares already granted by Hennabun to other parties are exercised in full) and will remain the second largest shareholder of Hennabun.

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

By Order of the Board of
FREEMAN FINANCIAL CORPORATION LIMITED
Chow Mun Yee
Executive Director

A. ACCOUNTANTS' REPORT OF HENNABUN

HOPKINS

HOPKINS CPA LIMITED
3/F, Sun Hung Kai Centre
30 Harbour Road
Hong Kong

31 August 2011

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

Dear Sirs,

We set out below our report on the financial information (the "Financial Information") of Hennabun Capital Group Limited (the "Target Company") and its subsidiaries (hereinafter collectively referred to as the "Target Group") for inclusion in the circular of Freeman Financial Corporation Limited (the "Company") dated 31 August 2011 (the "Circular") in connection with the proposed subscription of a redeemable convertible note in the principal amount of HK$250 million of the Target Company by the Company. The Financial Information comprises the consolidated statements of financial position of the Target Group as at 31 December 2008, 2009 and 31 March 2011, and the consolidated statements of comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows of the Target Group for each of the two years ended 31 December 2008, 2009 and for the fifteen months ended 31 March 2011 (the "Relevant Periods"), and a summary of significant accounting policies and other explanatory notes.

The Target Company is a limited liability company incorporated in the British Virgin Islands on 6 March 1996 and was principally engaged in investment holding during the Relevant Periods. Particulars of the Target Company's subsidiaries, all of which are directly or indirectly held by the Target Company are as follows:–

Name of subsidiary	Place and date of incorporation	Issued and fully paid shares	Attributable equity interest held by the Target Company 31 March 2011	31 December 2009	31 December 2008	Principal activities
AHPT Limited (Disposed of during the period ended 31 March 2011)	British Virgin Islands 10 April 2007	US$1	N/A	100%	100%	Proprietary trading
Chung Nam Commodities Limited	Hong Kong 16 June 1981	HK$15,000,000	100%	100%	100%	Commodities dealer
Chung Nam Finance Limited	Hong Kong 15 September 1992	HK$600,000,000	100%	100%	100%	Money lending

Name of subsidiary	Place and date of incorporation	Issued and fully paid shares	Attributable equity interest held by the Target Company			Principal activities
			31 March 2011	31 December 2009	31 December 2008	
Chung Nam Holdings Limited	Hong Kong 5 March 1991	HK$17,200,000	100%	100%	100%	Investment holding
Chung Nam Nominees Limited	Hong Kong 17 March 1992	HK$10,000	100%	100%	100%	Nominees
Chung Nam Securities Limited	Hong Kong 10 April 1987	HK$550,000,000	100%	100%	100%	Securities brokerage and financial services
Chung Nam Securities Company Limited	British Virgin Islands 19 March 1993	US$4,980,000	100%	100%	100%	Investment holding
Codpeace Capital Limited	Hong Kong 15 March 2005	HK$1	100%	100%	N/A	Investment holding
CU Corporate Finance Limited	Hong Kong 20 August 1991	HK$10,000,000	100%	100%	100%	Corporate finance advisory services
CU Group Investments Limited	British Virgin Islands 28 April 1998	US$1	100%	100%	100%	Investment holding
CU Investment (Holdings) Limited	Hong Kong 21 November 1995	HK$4	100%	100%	100%	Investment holding
CU Investment Management Limited	Hong Kong 27 August 2001	HK$1,000,000	100%	100%	N/A	Asset management
CU Nominee Limited	Hong Kong 12 January 2011	HK$1	100%	N/A	N/A	Nominees
HCG Corporate Services Limited	Hong Kong 29 February 2008	HK$1	100%	100%	100%	Investment holding
Hennabun International Group Limited	British Virgin Islands 16 December 2010	US$1	100%	N/A	N/A	Investment holding
Kam Kwong Investments Limited	Hong Kong 7 March 1995	HK$10,000	100%	100%	100%	Investment holding
Kowan Investments Limited	Hong Kong 5 September 1991	HK$27,000,000	100%	100%	100%	Investment holding
Murtsa Capital Management Limited	British Virgin Islands 2 April 2009	US$1	100%	100%	N/A	Inactive
Pacific Trend International Limited	Hong Kong 11 November 2010	HK$1	100%	N/A	N/A	Investment holding

Name of subsidiary	Place and date of incorporation	Issued and fully paid shares	Attributable equity interest held by the Target Company			Principal activities
			31 March 2011	31 December 2009	31 December 2008	
Radland International Limited	Hong Kong 24 May 1994	2011: HK$7,500,000 2009 and 2008: HK$48,400,000	100%	100%	100%	Securities brokerage and financial services
Seekers Advisors H.K. Limited	Hong Kong 1 September 2003	HK$2	100%	100%	N/A	Inactive
Seekers Advisors Pte. Limited	Singapore 15 January 2008	2011 and 2009: US$1,000,010 2008: US$100,010	100%	100%	100%	Investment advisory
Seekers Assets Limited	British Virgin Islands 2 August 2000	US$1	100%	100%	100%	Investment holding
Seekers Capital Group Limited	British Virgin Islands 30 March 2004	US$100	100%	100%	100%	Investment holding
Seekers Capital Management Limited	British Virgin Islands 13 December 1995	US$101	100%	100%	100%	Investment holding
Seekers Capital Management Limited	Cayman Islands 4 January 2008	US$1	100%	100%	100%	Fund management
Seekers Capital Management Pte. Limited	Singapore 21 August 2007	US$100,001	100%	100%	100%	Fund management and property holding
Seekers Financial Research Limited	Hong Kong 18 November 2008	HK$1	100%	100%	100%	Research and analysis
Sky Jumbo Holdings Limited	British Virgin Islands 18 November 2010	US$1	100%	N/A	N/A	Investment holding
Sun Chung Nam Finance Limited	Hong Kong 12 December 2003	HK$1,000,000	100%	100%	100%	Money lending

All of the above subsidiaries are limited companies established in their respective place of incorporation and adopted 31 March as the financial year end date for 2011 and 31 December as the financial year end date for 2008 and 2009.

The statutory financial statements of the following subsidiaries for the Relevant Periods, or since their respective dates of incorporation, were prepared in accordance with relevant accounting principles and financial regulations applicable to their jurisdictions and were audited by the following certified public accountants registered in that jurisdiction:–

Name	Financial period	Name of auditors
AHPT Limited (Disposed of during the period ended 31 March 2011)	For the two years ended 31 December 2009	Mazars CPA Limited
Chung Nam Commodities Limited	For the two years ended 31 December 2009	Mazars CPA Limited
	For the period ended 31 March 2011	Hopkins CPA Limited
Chung Nam Finance Limited	For the two years ended 31 December 2009	Mazars CPA Limited
	For the period ended 31 March 2011	Hopkins CPA Limited
Chung Nam Holdings Limited	For the two years ended 31 December 2009	Mazars CPA Limited
	For the period ended 31 March 2011	Hopkins CPA Limited
Chung Nam Nominees Limited	For the two years ended 31 December 2009	Mazars CPA Limited
	For the period ended 31 March 2011	Hopkins CPA Limited

Name	Financial period	Name of auditors
Chung Nam Securities Limited	For the two years ended 31 December 2009	Mazars CPA Limited
	For the period ended 31 March 2011	Hopkins CPA Limited
Codpeace Capital Limited	For the period from 15 March 2005 (date of incorporation) to 31 March 2011	Hopkins CPA Limited
CU Corporate Finance Limited	For the two years ended 31 December 2009	Mazars CPA Limited
	For the period ended 31 March 2011	Hopkins CPA Limited
CU Group Investments Limited	For the two years ended 31 December 2009	Mazars CPA Limited
	For the period ended 31 March 2011	Hopkins CPA Limited
CU Investment (Holdings) Limited	For the two years ended 31 December 2009	Mazars CPA Limited
	For the period ended 31 March 2011	Hopkins CPA Limited
CU Investment Management Limited	For the two years ended 31 December 2009	Mazars CPA Limited
	For the period ended 31 March 2011	Hopkins CPA Limited
CU Nominee Limited	For the period from 12 January 2011 (date of incorporation) to 31 March 2011	Hopkins CPA Limited

Name	Financial period	Name of auditors
HCG Corporate Services Limited	For the two years ended 31 December 2009	Mazars CPA Limited
	For the period ended 31 March 2011	Hopkins CPA Limited
Hennabun International Group Limited	For the period from 16 December 2010 (date of incorporation) to 31 March 2011	Hopkins CPA Limited
Kam Kwong Investments Limited	For the two years ended 31 December 2009	Mazars CPA Limited
	For the period ended 31 March 2011	Hopkins CPA Limited
Kowan Investments Limited	For the two years ended 31 December 2009	Mazars CPA Limited
	For the period ended 31 March 2011	Hopkins CPA Limited
Pacific Trend International Limited	For the period from 11 November 2010 (date of incorporation) to 31 March 2011	Hopkins CPA Limited
Radland International Limited	For the two years ended 31 December 2009	Mazars CPA Limited
	For the period ended 31 March 2011	Hopkins CPA Limited

Name	Financial period	Name of auditors
Seekers Advisors H.K. Limited	For the period from 1 September 2003 (date of incorporation) to 31 March 2011	Hopkins CPA Limited
Seekers Advisors Pte. Limited	For the year ended 31 December 2008	Mazars LLP
	For the year ended 31 December 2009	Goh Ngiap Suan & Co
Seekers Assets Limited	For the two years ended 31 December 2009	Mazars CPA Limited
	For the period ended 31 March 2011	Hopkins CPA Limited
Seekers Capital Management Limited (incorporated in the Cayman Islands)	For the two years ended 31 December 2009	Mazars CPA Limited
	For the period ended 31 March 2011	Hopkins CPA Limited
Seekers Capital Management Pte. Limited	For the year ended 31 December 2008	Mazars LLP
	For the year ended 31 December 2009	Goh Ngiap Suan & Co
Seekers Financial Research Limited	For the two years ended 31 December 2009	Mazars CPA Limited
	For the period ended 31 March 2011	Hopkins CPA Limited

Name	Financial period	Name of auditors
Sun Chung Nam Finance Limited	For the two years ended 31 December 2009	Mazars CPA Limited
	For the period ended 31 March 2011	Hopkins CPA Limited

No statutory audited financial statements have been prepared for Chung Nam Securities Company Limited, Murtsa Capital Management Limited, Seekers Capital Group Limited, Seekers Capital Management Limited (incorporated in the British Virgin Islands) and Sky Jumbo Holdings Limited as there are no statutory requirements for these entities to prepare audited financial statements.

The statutory audited financial statements of Seekers Advisors Pte. Limited and Seekers Capital Management Pte. Limited have not yet been issued for the period ended 31 March 2011 as the audits are still in progress.

The consolidated financial statements of the Target Group for the years ended 31 December 2008 and 2009 were audited by Mazars CPA Limited, and for the period ended 31 March 2011 was audited by Hopkins CPA Limited. These financial statements were prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") (the "Underlying Financial Statements").

Respective responsibilities of directors and reporting accountants

The directors of the Target Company are responsible for the preparation and the fair presentation of the Financial Information that gives a true and fair view in accordance with HKFRSs issued by the HKICPA, the disclosure requirements of the Hong Kong Companies Ordinance, and it is fundamental that appropriate accounting policies are selected and applied consistently, and that judgements and estimates made are reasonable.

It is our responsibility to form an independent opinion on the Financial Information based on our procedures, and to report our opinion to you.

Basis of opinion

For the purpose of this report, we have examined the Underlying Financial Statements of the Target Group for the Relevant Periods in accordance with Hong Kong Standards on Auditing issued by the HKICPA and carried out such additional procedures as we considered necessary in accordance with Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" issued by the HKICPA. No adjustment was made to the Underlying Financial Statements as a result of the procedures performed.

Opinion in respect of the Financial Information of the Relevant Periods

In our opinion, the Financial Information of the Target Group, for the purpose of this report, gives a true and fair view of the consolidated results and cash flows of the Target Group for the Relevant Periods and of the state of affairs of the Target Group as at the end of each of the Relevant Periods.

I. FINANCIAL INFORMATION

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

The following is a summary of the consolidated statements of comprehensive income of the Target Group for the Relevant Periods which have been prepared on the basis set out in Section II below.

		15 months ended 31 March 2011	Year ended 31 December 2009	Year ended 31 December 2008
	Notes	*HK$*	*HK$*	*HK$*
Turnover	*4*	252,766,014	134,123,753	73,474,612
Other income	*5*	115,900,583	7,941,131	143,579,329
Net realised gains/(losses) on disposal of financial assets at fair value through profit or loss		5,831,061	30,215,564	(139,267,317)
Net unrealised holding (losses)/gains on financial assets at fair value through profit or loss		(2,520,835)	993,443	(37,850,230)
Net realised losses on disposal of available-for-sale financial assets		–	(1,940,846)	–
(Loss)/Gain on disposal of interests in subsidiaries	*28*	(8)	–	5,793,534
Impairment loss on available-for-sale financial assets	*13*	(69,000,000)	–	–
Allowance for bad and doubtful debts		(42,089,425)	(127,578,897)	(54,370,408)
Bad debts written off		(11,469,970)	(2,339)	(1,398,790)
Employee benefits expense		(29,856,670)	(17,073,682)	(10,789,159)
Depreciation	*11*	(8,811,878)	(7,277,519)	(7,368,132)
Other operating expenses		(72,007,552)	(59,057,479)	(40,795,533)
Finance costs	*6*	(62,730,647)	(19,508,066)	(10,723,803)
Share of results of an associate		(349,877)	–	–

	Notes	15 months ended 31 March 2011 HK$	Year ended 31 December 2009 HK$	Year ended 31 December 2008 HK$
Profit/(Loss) before taxation	6	75,660,796	(59,164,937)	(79,715,897)
Taxation	7	(1,688,000)	(45,402)	4,200,000
Profit/(Loss) for the period/year		73,972,796	(59,210,339)	(75,515,897)
Other comprehensive income after taxation:–				
Change in fair value of available-for-sale financial assets		82,527,837	–	–
Other comprehensive income for the period net of taxation	8	82,527,837	–	–
Total comprehensive income for the period/year		156,500,633	(59,210,339)	(75,515,897)

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

The following is a summary of the consolidated statements of financial position of the Target Group as at the end of each of the Relevant Periods which have been prepared on the basis set out in Section II below.

		As at		
		31 March 2011	**31 December 2009**	**31 December 2008**
	Notes	*HK$*	*HK$*	*HK$*
Non-current assets				
Property, plant and equipment	*11*	49,528,316	43,020,337	20,185,767
Intangible assets	*12*	2,743,334	2,743,334	2,743,334
Available-for-sale financial assets	*13*	390,826,991	308,299,154	–
Loans receivable	*14*	949,750	63,389,857	13,000,000
Other non-current assets	*15*	1,972,580	2,300,000	1,970,000
Other investments	*16*	74,247,501	74,247,501	74,247,501
Interest in an associate	*17*	4,075,123	–	–
		524,343,595	494,000,183	112,146,602
Current assets				
Financial assets at fair value through profit or loss	*18*	14,736,140	9,319,239	18,656,619
Loans receivable	*14*	1,266,003,806	313,316,279	12,030,822
Trade and other receivables	*19*	1,071,942,061	226,876,003	109,124,502
Pledged bank deposits	*20*	3,000,000	3,000,000	3,000,000
Cash and bank balances	*20*	191,106,004	532,409,395	213,017,912
		2,546,788,011	1,084,920,916	355,829,855
Current liabilities				
Trade and other payables	*21*	(238,068,112)	(324,698,081)	(55,929,881)
Amounts due to a related company		–	–	(28,455)
Bank overdrafts	*20*	(25,041,311)	(249,777)	(19,888,588)
Interest-bearing borrowings	*23*	(411,175,375)	(315,143,830)	(100,000,000)
Tax payable		(2,246,308)	(558,308)	(598,136)
		(676,531,106)	(640,649,996)	(176,445,060)

		As at		
		31 March 2011	**31 December 2009**	**31 December 2008**
	Notes	*HK$*	*HK$*	*HK$*
Net current assets		1,870,256,905	444,270,920	179,384,795
Net assets		2,394,600,500	938,271,103	291,531,397
Capital and reserves				
Share capital	*25*	275,574,878	106,701,140	386,461,400
Reserves		2,119,025,622	831,569,963	(94,930,003)
Total equity		2,394,600,500	938,271,103	291,531,397

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

The movements in the consolidated statements of changes in equity of the Target Group for the Relevant Periods which have been prepared on the basis set out in Section II below are as follows:

	Notes	Share capital HK$	Share premium HK$	Investment revaluation reserve HK$	Contributed surplus HK$	Accumulated loss HK$	Total HK$
Balance at 1 January 2008		149,312,800	583,679,311	–	492,394,779	(1,156,765,596)	68,621,294
Issue of shares	25	269,100,000	73,900,000	–	–	–	343,000,000
Repurchase of shares	25	(31,951,400)	(12,622,600)	–	–	–	(44,574,000)
Total comprehensive income for the year		–	–	–	–	(75,515,897)	(75,515,897)
Balance at 31 December 2008 and 1 January 2009		386,461,400	644,956,711	–	492,394,779	(1,232,281,493)	291,531,397
Issue of shares	25	1,950,000	–	–	–	–	1,950,000
Conversion of convertible notes	25	682,500,000	21,510,045	–	–	–	704,010,045
Repurchase of shares	25	(3,900,000)	3,890,000	–	–	–	(10,000)
Capital reduction	25	(960,310,260)	–	–	960,310,260	–	–
Total comprehensive income for the year		–	–	–	–	(59,210,339)	(59,210,339)
Balance at 31 December 2009 and 1 January 2010		106,701,140	670,356,756	–	1,452,705,039	(1,291,491,832)	938,271,103
Issue of shares	25	169,497,738	1,134,331,026	–	–	–	1,303,828,764
Repurchase of shares	25	(624,000)	(3,376,000)	–	–	–	(4,000,000)
Total comprehensive income for the period		–	–	82,527,837	–	73,972,796	156,500,633
Balance at 31 March 2011		275,574,878	1,801,311,782	82,527,837	1,452,705,039	(1,217,519,036)	2,394,600,500

CONSOLIDATED STATEMENTS OF CASH FLOWS

The consolidated statements of cash flows of the Target Group for the Relevant Periods which have been prepared on the basis set in Section II below are as follows:

	Notes	15 months ended 31 March 2011 HK$	Year ended 31 December 2009 HK$	Year ended 31 December 2008 HK$
Cash flows from operating activities:–				
Profit/(Loss) before taxation		75,660,796	(59,164,937)	(79,715,897)
Adjustments for:				
Depreciation		8,811,878	7,277,519	7,368,132
Interest expenses		62,730,647	19,508,066	10,723,803
Impairment loss on available-for-sale financial assets	*13*	69,000,000	–	–
Share of results of an associate		349,877	–	–
Recovery of allowance for bad and doubtful debts on loans receivable and trade receivables		(98,269,100)	(4,803,092)	(80,560,341)
Recovery of bad debts previously written-off		–	–	(8,375)
Allowance for bad and doubtful debts and bad debts written off		53,559,395	127,581,236	55,769,198
Loss/(Gain) on disposal of interests in subsidiaries	*28*	8	–	(5,793,534)
Gain on redemption of convertible notes	*5*	(11,607,856)	(525,805)	–
Loss/(Gain) on disposal of property, plant and equipment	*5, 6*	45,356	–	(5,000)
Property, plant and equipment written off	*11*	–	1,766	153,000
Other assets written off		–	67,274	–
Waiver of amount due to a related company		–	–	(62,566,895)
Net realised (gains)/losses on disposal of financial assets at fair value through profit or loss		(5,831,061)	(30,215,564)	139,267,317
Net unrealised holding losses/(gains) on financial assets at fair value through profit or loss		2,520,835	(993,443)	37,850,230
Net realised losses on disposal of available-for-sale financial assets		–	1,940,846	–
Reversal of provision for loss on misappropriation of clients' securities	*22*	(444,969)	(255,122)	–

	Notes	15 months ended 31 March 2011 HK$	Year ended 31 December 2009 HK$	Year ended 31 December 2008 HK$
Operating profit before working capital changes		156,525,806	60,418,744	22,481,638
Movements in:–				
Loans, trade and other receivables		(1,652,003,094)	(587,576,342)	680,996,832
Other non-current assets		327,420	(330,000)	–
Trade and other payables		(81,375,348)	271,107,596	(149,219,544)
Current accounts with directors		–	–	(20,982,350)
Cash (used in)/generated from operations		(1,576,525,216)	(256,380,002)	533,276,576
Interest paid		(54,791,792)	(14,972,216)	(11,084,144)
Net cash (used in)/generated from operating activities		(1,631,317,008)	(271,352,218)	522,192,432
Cash flows from investing activities:–				
Acquisition of an associate	*17*	(2,950,000)	–	–
Loans granted to an associate		(1,475,000)	–	–
Proceeds from disposal of subsidiaries	*28*	8	16	94,000,000
Proceeds from disposal of property, plant and equipment		400,000	–	5,000
(Net payment for acquisition)/Net proceeds from disposal of financial assets at fair value through profit or loss		(12,106,675)	33,901,509	(111,344,505)
Purchase of property, plant and equipment and other investments		(12,272,232)	(30,065,210)	(91,159,905)
Purchase of available-for-sale financial assets		–	(618,539,154)	–
Proceeds on disposal of available-for-sale financial assets		–	308,299,154	–
Deposits for acquisition of property, plant and equipment and investment project		(38,600,679)	–	(36,784,000)
Refund of deposit from Central Clearing and Settlement System Guarantee Fund		–	–	180,000
Acquisition of a subsidiary	*29*	–	1,722,651	–

	Notes	15 months ended 31 March 2011 HK$	Year ended 31 December 2009 HK$	Year ended 31 December 2008 HK$
Net cash used in investing activities		(67,004,578)	(304,681,034)	(145,103,410)
Cash flows from financing activities:–				
Issue of shares	25	741,999,997	–	343,000,000
Issue of convertible notes	24	801,000,000	750,000,000	–
Redemption of convertible notes	24	(801,000,000)	(50,000,000)	–
Repurchase of share capital	25	(4,000,000)	(10,000)	–
New loans raised		2,233,589,000	892,143,830	327,800,000
Repayment of loans		(1,639,362,336)	(677,000,000)	(432,800,000)
Repayment to a related company		–	(28,455)	(589,719,943)
Net cash generated from/(used in) financing activities		1,332,226,661	915,105,375	(351,719,943)
Net (decrease)/increase in cash and cash equivalents		(366,094,925)	339,072,123	25,369,079
Effect of change in foreign exchange rates		–	(41,829)	(909)
Cash and cash equivalents at:–				
Beginning of period/year		535,159,618	196,129,324	170,761,154
End of period/year	20	169,064,693	535,159,618	196,129,324

II. NOTES TO THE FINANCIAL INFORMATION

(All amounts are expressed in Hong Kong dollars unless otherwise stated)

1. General Information

The Target Company is a limited liability company incorporated in the British Virgin Islands. The address of the Target Company's registered office is Sea Meadow House, Blackburne Highway, PO Box 116, Road Town, Tortola, British Virgin Islands and the principal place of business is at 31 Floor, China United Centre, 28 Marble Road, North Point, Hong Kong.

The Board of Directors of the Target Company approved the change of the Target Company's financial year end date from 31 December to 31 March. Accordingly, the Financial Information for the period ended 31 March 2011 covering a period of 15 months from 1 January 2010 to 31 March 2011.

2. Principal Accounting Policies

2.1 Statement of Compliance

The Financial Information has been prepared in accordance with all applicable Hong Kong Accounting Standards ("HKAS"), HKFRS and Interpretations issued by the HKICPA and accounting principles generally accepted in Hong Kong.

2.2 Basis of Preparation

The Financial Information is prepared under the historical cost convention as modified by the revaluation of financial assets and financial liabilities at fair value through profit or loss and certain available-for-sale financial assets, which are carried at fair value.

The preparation of Financial Information in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the Financial Information, are disclosed in the respective notes, if appropriate.

The HKICPA has issued a number of new and revised HKFRSs. For the purpose of preparing this Financial Information, the Target Group has adopted all the applicable new and revised HKFRSs that are effective for annual accounting periods beginning on 1 January 2010.

The Target Group has not early adopted any of the following revised and new accounting standards and interpretations issued but not yet effective for the accounting period ended 31 March 2011.

		Effective for the accounting period beginning on or after
HKAS 1 (Revised) (Amendments)	Presentation of Items of Other Comprehensive Income	1 July 2012
HKAS 12 (Amendments)	Deferred Tax: Recovery of Underlying Assets	1 January 2012
HKAS 19 (2011)	Employee Benefits	1 January 2013
HKAS 24 (Revised)	Related Party Disclosures	1 January 2011
HKAS 27 (2011)	Separate Financial Statements	1 January 2013
HKAS 28 (2011)	Investments in Associates and Joint Ventures	1 January 2013
HKAS 32 (Amendments)	Classification of Rights Issues	1 February 2010
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2010	1 July 2010 or 1 January 2011, as appropriate
HKFRS 7 (Amendments)	Disclosures - Transfers of Financial Assets	1 July 2011
HKFRS 9	Financial Instruments	1 January 2013
HKFRS 10	Consolidated Financial Statements	1 January 2013
HKFRS 11	Joint Arrangements	1 January 2013
HKFRS 12	Disclosure of Interests in Other Entities	1 January 2013
HKFRS 13	Fair Value Measurement	1 January 2013
HK(IFRIC) – Int 14 (Amendments)	Prepayments of a Minimum Funding Requirement	1 January 2011
HK(IFRIC) – Int 19	Extinguishing Financial Liabilities with Equity Instruments	1 July 2010

The Target Group is in the process of making an assessment of what the impact of these new standards, amendments to standards and interpretations is expected to be in the period of initial application.

The accounting policies set out below have been applied consistently to the Relevant Periods presented.

2.3 Property, Plant and Equipment and Depreciation

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to the working condition and location for its intended use.

Depreciation is calculated to write off the cost of each asset over its estimated useful life on a straight line basis. The principal annual rates are as follows:–

Leasehold land and buildings	Over the unexpired lease term
Leasehold improvements	20%
Furniture and fixtures	20%
Office equipment	20%
Motor vehicles	20%
Yachts	10%

This estimate is based on the historical experience of the actual useful lives of property, plant and equipment of similar nature and functions. It could change significantly as a result of technical innovations. Management will increase the depreciation charge where useful life is less than previously estimated life.

Subsequent expenditure relating to property, plant and equipment that has already been recognised is added to the carrying amount of the asset when it is probable that future economic benefits, in excess of the originally assessed standard of performance of the existing asset, will flow to the enterprise. If not, the expenditure is treated as an expense in the period in which it is incurred.

Gain or loss arising from the retirement or disposal of property, plant and equipment is determined as the difference between the estimated net disposal proceed and the carrying amount of the asset and is recognised in the statement of comprehensive income on the date of retirement or disposal.

2.4 Basis of Consolidation

The Financial Information incorporates the consolidated financial statements of the Target Company and its subsidiaries made up to 31 March for 2011 and 31 December for the previous periods. The results of subsidiaries acquired or disposed of during the period/year are included in the consolidated statements of comprehensive income from or to the date of their acquisition or disposal. All material inter-company transactions and balances are eliminated on consolidation.

On disposal of a subsidiary during the period/year, the attributable amount of purchased goodwill not previously amortised through the statement of comprehensive income or which has previously been dealt with as a movement in reserve is treated as a cost in the calculation of the profit or loss on disposal.

2.5 Business Combination

Business combination represents transaction which combines two or more separate businesses into one reporting entity. Business combinations are classified into business combinations involving entities under common control and business combinations not involving entities under common control.

A business combination involving entities under common control is a business combination in which all of the combining entities are ultimately controlled by the same party or parties both before and after the business combination, and that control is not transitory. The absorbing party is the entity that obtains control of the other entities participating in the combination at the combination date, and the other entities participating in the combination are the parties being absorbed. The combination date is the date on which the absorbing party effectively obtains control of the parties being absorbed.

Assets and liabilities obtained by absorbing party in the business combination are recognised at their carrying amounts at the combination date as recorded by the party being absorbed.

Any costs directly attributable to the combination are recognised as expenses when incurred by the absorbing party.

A business combination not involving entities under common control is a business combination in which all of the combining entities are not ultimately controlled by the same party or parties both before and after the business combination. The acquirer is the entity that obtains control of the other entities participating in the combination at the acquisition date, and the other entities participating in the combination are the acquirees. The acquisition date is the date on which the acquirer effectively obtains control of the acquiree.

The cost of acquisition is measured as the aggregate of the fair values of the assets given, liabilities incurred or assumed, equity instruments issued by the acquirer at the acquisition date, and all the costs incurred directly attributable to the acquisition, in exchange for control of the acquiree.

The acquiree's identifiable assets, liabilities and contingent liabilities are recognised at their fair values at the acquisition date.

Where the cost of a business combination exceeds the acquirer's interest in the fair value of the acquiree's identifiable net assets, the difference is recognised as goodwill. Where the cost of a business combination is less than the acquirer's interest in the fair value of the acquiree's identifiable net assets, the acquirer reassesses the measurement of the fair values of the acquiree's identifiable net assets, liabilities and contingent liabilities and the measurement of the cost of combinations. If after that reassessment, the cost of combination is still less than the acquirer's interest in the fair value of the acquiree's identifiable net assets, the remaining difference is recognised in the profit or loss for the current period.

2.6 Subsidiaries

A subsidiary is an entity whose financial and operating policies the Target Company controls, directly or indirectly, so as to obtain benefits from its activities. The results of subsidiaries are included in the Target Company's statement of comprehensive income to the extent of dividends received and receivable. The Target Company's interests in subsidiaries are stated at cost less any impairment losses. The carrying amount of the investment is reduced to its recoverable amount on an individual basis.

2.7 Associate

An associate is those in which the Target Group is in a position to exercise significant influence, but not control or joint control, over the management, including participation in the financial and operating policy decisions.

Results and reserves of an associate are incorporated in the consolidated statements of comprehensive income and consolidated reserves respectively to the extent of the Target Group's share of post-acquisition results and reserves.

Interest in an associate is accounted for in the consolidated statements of financial position under the equity method and are carried at cost as adjusted for post acquisition changes in the Target Group's share of their results and reserves less any identified impairment loss.

2.8 Financial Instruments

Investments are classified into the following categories: financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments and available-for-sale financial assets. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and re-evaluates this designation at every reporting date. The definition, recognition and measurement of the above categories, where applicable, are listed below.

Financial assets at fair value through profit or loss have two sub-categories: financial assets held for trading, and those designated at fair value through profit or loss at inception. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management. Derivatives are also categorised as held for trading unless they are designated as hedges. Assets in this category are classified as current assets if they are either held for trading or are expected to be realised within 12 months after the end of the Relevant Periods. Financial assets at fair value through profit or loss are subsequently carried at fair value. Realised and unrealised gains and losses arising from changes in the fair value of the "financial assets at fair value through profit or loss" category are included in the statement of comprehensive income in the period in which they arise. The net gain or loss recognised in profit or loss does not include any dividend or interest earned on these investments.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the money, goods or services are provided directly to a debtor with no intention of trading the receivable. Loans and receivables with maturities equal or less than 12 months after the end of the Relevant Periods are included in current assets as "Trade and other receivables" while for those with maturities greater than 12 months after the end of the Relevant Periods are included in non-current assets as "Non-current receivables". Loans and receivables are carried at amortised cost using the effective interest method.

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the management has the positive intention and ability to hold to maturity. Held-to-maturity investments are carried at amortised cost using the effective interest method.

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months after the end of the Relevant Periods. Available-for-sale financial assets are subsequently carried at fair value. Unrealised gains and losses arising from changes in the fair value of non-monetary securities classified as available-for-sale are recognised in equity. When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments are included in the statement of comprehensive income as gains or losses from investment securities. Available-for-sale financial assets whose fair value cannot be reliably measured are stated at cost less impairment loss. Such impairment loss will be charged to the statement of comprehensive income when arises.

Purchases and sales of investments are recognised on trade-date, i.e. the date on which the commitment of purchasing or selling the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Investments are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and all risks and rewards of ownership have been substantially transferred.

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), fair value is established by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models refined to reflect the issuer's specific circumstances.

The Target Group's financial liabilities include trade and other payables, amounts due to related parties and interest-bearing borrowings. All financial liabilities except for derivatives are recognised initially at their fair value and subsequently measured at amortised cost, using effective interest method, unless the effect of discounting would be insignificant, in which case they are stated at cost.

2.9 Other Investments

Other investments are long term investments in artworks and companies, except for subsidiaries or associate, which are stated at cost less accumulated impairment losses.

2.10 Intangible Assets

Intangible assets represent the eligibility rights to trade on or through the Stock Exchange of Hong Kong Limited ("SEHK") and the Hong Kong Futures Exchange Limited ("HKFE"). They are regarded to have indefinite useful life and are carried at cost less any accumulated impairment losses.

Intangible assets with indefinite useful lives are tested for impairment annually or more frequently, when indicator of impairment arises during the Relevant Periods indicating that the carrying value may not be recoverable.

Subsequent expenditure on an intangible asset after its purchase or completion is expensed as incurred unless it is probable that the expenditure would enable the asset to generate future economic benefits in excess of its originally assessed standard of performance and the expenditure could be measured and attributed to the asset reliably.

Gains or losses arising from derecognising of an intangible asset are measured at the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the statement of comprehensive income when the asset is derecognised.

2.11 Other Non-current Assets

Other non-current assets are stated at cost less accumulated impairment losses.

2.12 Trade and Other Receivables

Trade and other receivables are initially recognised at fair value and thereafter stated at amortised cost less allowance for impairment of doubtful debts, except where the receivables are interest-free loans made to related parties without any fixed repayment terms or the effect of discounting would be immaterial. In such cases, the receivables are stated at cost less allowance for impairment of doubtful debts.

2.13 Trade and Other Payables

Trade and other payables are initially recognised at fair value and thereafter stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

2.14 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the statement of comprehensive income over the period of the borrowings using the effective interest method.

2.15 Revenue Recognition

Revenue is recognised when it probable that the economic benefits will flow to the Target Group and when the revenue and costs, if applicable, can be measured reliably and on the following bases:–

Commission and brokerage income for securities dealings are recognised as revenue on the transaction date when the relevant contract notes are executed.

Consultancy services, underwriting and placing services, guarantee option services, securities handling income, loan arrangement fee income and management fee income are recognised in the period when services are rendered.

Interest income is accrued on a time proportion basis on the principal outstanding and at the interest rate applicable.

Dividend income from investments is recognised when the Target Group's rights to receive payment have been established.

Net income from the sale of investments held for trading are recognised on the transaction date when the relevant sale and purchase contract is entered into.

2.16 Foreign Currencies

Items included in the Financial Information of each of the Target Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The Financial Information is presented in Hong Kong dollars, which is the Target Group's functional and presentation currency. Transactions in foreign currencies are translated at exchange rates ruling at the transaction dates. Monetary assets and liabilities expressed in foreign currencies at the end of the Relevant Periods are translated at rates of exchange ruling at the end of the Relevant Periods. Exchange differences arising in these cases are dealt with in the statement of comprehensive income.

On consolidation, the assets and liabilities of overseas operations are translated at exchange rates prevailing on the end of the Relevant Periods. Income and expense items are translated at the average exchange rate. Exchange differences on consolidation are dealt with as movements in reserves.

2.17 Operating Leases

Leases where substantially all the rewards and risks of the ownership of assets remain with the leasing company are accounted for as operating leases. Payments in respect of operating leases are charged to the statement of comprehensive income on a straight line basis over the periods of the respective leases.

2.18 Retirement Costs

Contributions paid to a defined contribution provident fund retirement scheme are based on a percentage of the employees' basic salaries and are charged to the statement of comprehensive income as they become payable. The assets of the scheme are generally held in separate trustee-administered funds.

2.19 Borrowing Costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

To the extent that funds are borrowed generally and used for the purpose of obtaining a qualifying asset, the amount of borrowing costs eligible for capitalisation is determined by applying a capitalisation rate to the expenditures on that asset. The capitalisation rate is the weighted average of the borrowing costs applicable to the borrowings of the Target Group that are outstanding during the period, other than borrowings made specifically for the purpose of obtaining a qualifying asset.

All other borrowing costs are recognised in the profit or loss in the period in which they are incurred.

2.20 Cash and Cash Equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Bank overdrafts that are repayable on demand and form an integral part of the cash management are also included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

2.21 Impairment

At the end of each of the Relevant Periods, the carrying amounts of assets are reviewed to determine if there is any objective evidence of impairment on the value of assets. If the estimated recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. Impairment loss is treated as an expense unless the asset is carried at a revalued amount under another accounting standard, in which case the impairment loss is treated as a revaluation decrease under that other accounting standard.

An impairment loss is reversed only if there has been a change in the estimate used to determine the recoverable amount of an asset. A reversal of impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss had been recognised in prior years. A reversal of impairment loss is treated as an income, unless the assets is carried at a revalued amount under another accounting standard, in which case the reversal of the impairment loss is treated as a revaluation increase under that other accounting standard.

Significant financial difficulty of the debtor, default or delinquency in payments, significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor, probability that the debtor will enter bankruptcy or other financial reorganisation, and prolonged decline in the fair value of an investment in an equity instrument below its cost are considered objective evidences of impairment.

2.22 Provisions

Provision is made when a legal or constructive obligation has arisen as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation and that a reliable estimate of the amount can be made. Expenditures for which a provision has been recognised are charged against the related provision in the year in which the expenditures are incurred. Provisions are reviewed at the end of each of the Relevant Periods and adjusted to reflect the current best estimate. Where the effect of the time value of money is material, the amount provided is the present value of the expenditures expected to be required to settle the obligation. Where the Target Group expects a provision to be reimbursed, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain.

2.23 Convertible Notes

The component of the convertible notes that exhibits characteristics of a liability is recognised as a liability in the consolidated statement of financial position, net of issue costs. On the issue of the convertible notes, the fair value of the liability component is determined using a market rate for a similar bond that does not have a conversion option; and this amount is carried as a non-current liability on the amortised cost basis until extinguished on conversion or redemption.

The remainder of the proceeds is allocated to the conversion option that is recognised and included in shareholders' equity, net of issue costs. The value of the conversion option carried in equity is not changed in subsequent years. When the conversion option is exercised, the balance of the convertible bond equity reserve is transferred to share premium account or other appropriate reserve. When the conversion option remains unexercised at the expiry date, the balance remained in the convertible bond equity reserve is transferred to retained earnings. No gain or loss is recognised in profit or loss upon conversion or expiration of the option.

Issue costs are apportioned between the liability and equity components of the convertible notes based on the allocation of proceeds to the liability and equity components when the instruments are first recognised. Transaction costs that relate to the issue of the convertible notes are allocated to the liability and equity components in proportion to the allocation of proceeds.

2.24 Taxation

Taxation comprises current and deferred tax. The tax currently payable is based on the results for the period for financial reporting purposes adjusted for items which are not assessable or deductible. It is calculated using tax rates that have been enacted or substantively enacted by the end of each of the Relevant Periods.

2.25 Deferred Tax

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences, and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill.

The carrying amount of deferred tax assets is reviewed at the end of each of the Relevant Periods and reduced to the extent that it is no longer probable that sufficient taxable profits will be generated to allow all or part of the asset to be recovered.

2.26 Operating Segments

Operating segments are reported in a manner consistent with the internal management reports provided to the chief operating decision-makers which are detailed in Note 10 to the Financial Information.

2.27 Financial Risk Management

The Target Group's activities expose it to various kinds of financial risks. These risks are minimised by the Target Group's financial management policies and practices described below.

The credit risk is primarily attributable to trade and other receivables. Management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis.

Policies are established to regularly monitor current and expected liquidity requirements and its compliance with lending covenant, to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from financial institutions to meet its liquidity requirements in the shorter and longer term.

As a result of operating the business internationally, there is exposure to foreign currency risk. The management ensures that the net exposure is kept to an acceptable level and will consider appropriate hedging measures where necessary.

2.28 Related Parties

For the purpose of this Financial Information, a party is considered to be related to the Target Group if:–

(i) the party has the ability, directly or indirectly through one or more intermediaries, to control the Target Group or exercise significant influence over the Target Group in making financial and operating policy decisions, or has joint control over the Target Group;

(ii) the Target Group and the party are subject to common control;

(iii) the party is an associated company of the Target Group or a joint venture in which the Target Group is a venturer;

(iv) the party is a member of key management personnel of the Target Group or its parent, or a close family member of such an individual, or is an entity under the control, joint control or significant influence of such individuals; or

(v) the party is a close family member of a party referred to in (i) or is an entity under the control, joint control or significant influence of such individuals; or

(vi) the party is a post-employment benefit plan for the benefit of employees of the Target Group, or of any entity that is a related party of the Target Group.

2.29 Critical Accounting Estimates and Judgements

Allowance for bad and doubtful debts

The provision policy for bad and doubtful debts of the Target Group is based on the evaluation by management of collectability of the loans and trade and other receivables. As at 31 March 2011, 31 December 2009 and 2008, the loans and trade and other receivables, net of allowance, amounted to HK$2,338,895,617, HK$603,582,139 and HK$134,155,324 respectively. A considerable amount of judgements is required in assessing the ultimate realisation of these receivables, including assessing the current creditworthiness and the past collection history of each debtor. If the financial conditions of these debtors were to deteriorate, resulting in an impairment of their ability to make payments, additional allowance will be required.

Impairment of investments

The Target Company assesses annually if investment in subsidiaries has suffered any impairment in accordance with HKAS 36 and follows the guidance of HKAS 39 in determining whether amounts due from these entities are impaired. Details of the approach are stated in the respective accounting policies. The assessment requires an estimation of future cash flows, including expected dividends, from the assets and the selection of appropriate discount rates. Future changes in financial performance and position of these entities would affect the estimation of impairment loss and cause the adjustments of their carrying amounts.

3. Changes in Accounting Policy

HK Interpretation 5 "Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause" is a clarification of an existing standard, HKAS 1 Presentation of Financial Statements. It sets out the conclusion reached by the HKICPA that a term loan which contains a clause which gives the lender the unconditional right to demand repayment at any time shall be classified as a current liability in accordance with paragraph 69(d) of HKAS 1 irrespective of the probability that the lender will invoke the clause without cause.

In order to comply with the requirements of HK Interpretation 5, the Target Group has changed its accounting policy on the classification of term loans that contain a repayment on demand clause. Under the new policy, term loans with clauses which give the lender the unconditional right to call the loan at any time are classified as current liabilities in the consolidated statements of financial position. Previously such term loans were classified in accordance with the agreed repayment schedule unless the Target Group had breached any of the loan covenants set out in the agreement as of the reporting date or otherwise had reason to believe that the lender would invoke its rights under the immediate repayment clause within the foreseeable future.

The new accounting policy has been applied retrospectively by re-presenting the balances at 31 December 2009. The reclassification has had no effect on reported profit or loss, total comprehensive income or equity for any Relevant Periods.

Effect of adoption of HK Interpretation 5 on the consolidated statements of financial position is as follow:–

	As at		
	31 March 2011	**31 December 2009**	**31 December 2008**
	HK$	*HK$*	*HK$*
Current liabilities			
Increase in interest-bearing borrowings	15,580,440	14,583,155	–
Non-current liabilities			
Decrease in interest-bearing borrowings	(15,580,440)	(14,583,155)	–
Change on the net assets	–	–	–

4. Turnover

Turnover comprises revenue from:–

	15 months ended 31 March 2011 *HK$*	Year ended 31 December 2009 *HK$*	Year ended 31 December 2008 *HK$*
Commission and brokerage income for securities dealing	39,266,483	42,630,202	20,880,933
Underwriting and placing commission	58,417,404	17,015,793	9,269,219
Interest income on:			
– Loans receivable and client accounts	125,707,486	68,231,387	26,298,158
– Deposits in authorised institutions	442,621	80,393	923,225
Consultancy fee income	9,280,000	2,835,000	4,500,000
Dividend income from listed investments	159,736	67,340	5,319
Securities handling fees	121,567	3,263,638	9,197,758
Guarantee option fee income	–	–	2,400,000
Loan arrangement fee income	13,000,000	–	–
Management fee income	6,370,717	–	–
	252,766,014	134,123,753	73,474,612

5. Other Income

	15 months ended 31 March 2011	Year ended 31 December 2009	Year ended 31 December 2008
	HK$	*HK$*	*HK$*
Gain on disposal of property, plant and equipment	–	–	5,000
Gain on redemption of convertible notes	11,607,856	525,805	–
Reversal of provision for loss on misappropriation of clients' securities	444,969	255,122	–
Recovery of bad debts previously written-off	–	–	8,375
Recovery of allowance for bad and doubtful debts on loans receivable	96,733,943	190,000	75,300,000
Recovery of allowance for bad and doubtful debts on trade receivables	1,535,157	4,613,092	5,260,341
Sundry income	5,578,658	2,357,112	438,718
Waiver of amount due to a related company	–	–	62,566,895
	115,900,583	7,941,131	143,579,329

6. Supplemental Information

The consolidated results before taxation is arrived at after charging the following items:–

	15 months ended 31 March 2011	Year ended 31 December 2009	31 December 2008
	HK$	*HK$*	*HK$*
Finance costs:–			
Interest on bank loans, overdrafts and other loans wholly repayable within 5 years	47,300,873	7,335,229	10,723,803
Interest on convertible notes	15,429,774	12,172,837	–
	62,730,647	19,508,066	10,723,803
Other items:–			
Auditor's remuneration	911,870	783,064	1,390,000
Exchange loss, net	2,488,701	2,819,360	330,939
Operating leases rental on premises	21,905,400	19,298,999	11,307,677
Loss on disposal of property, plant and equipment	45,356	–	–
Property, plant and equipment written off	–	1,766	153,000
Retirement costs	1,587,350	756,137	589,806

7. Taxation

	15 months ended 31 March 2011	Year ended 31 December 2009	31 December 2008
	HK$	*HK$*	*HK$*
Hong Kong profits tax			
– Current period/year	1,710,924	45,402	–
– Over provision in previous years	(22,924)	–	(4,200,000)
Total tax expense/(income)	1,688,000	45,402	(4,200,000)

The reconciliation of the taxation in the consolidated statements of comprehensive income and the estimated amount of profits tax is as follows:–

	15 months ended 31 March 2011 HK$	Year ended 31 December 2009 HK$	Year ended 31 December 2008 HK$
Profit/(Loss) before taxation	75,660,796	(59,164,937)	(79,715,897)
Income tax at applicable tax rate of 16.5%	12,484,031	(9,762,215)	(13,153,123)
Non-deductible expenses	51,534,782	9,218,726	71,220,812
Tax exempt revenue	(49,752,536)	(6,544,663)	(92,484,360)
Share of results of an associate	57,730	–	–
Tax losses of which no deferred income tax asset was recognised	98,150	2,945,844	33,542,363
Utilisation of unrecognised tax losses	(12,410,245)	(12,691,240)	(143,967)
Effect of different tax rates of subsidiaries operating in other jurisdictions	14,701	638,858	984,790
Over provision in previous years	(22,924)	–	(4,200,000)
Unrecognised temporary differences	412,316	16,240,092	33,485
Others	(728,005)	–	–
Tax expense/(income) for the period/year	1,688,000	45,402	(4,200,000)

The Target Group has not taken into account of approximately HK$20 million, HK$71 million and HK$80 million of deferred tax assets arising from tax losses and other net temporary differences as at 31 March 2011, 31 December 2009 and 2008 respectively as it is not certain that the benefit could be realised in the foreseeable future.

8. Disclosure of Tax Effects Relating to Components of Other Comprehensive Income

No disclosures of tax effects have been made as there were no tax benefits or tax expenses relating to the components of other comprehensive income during the Relevant Periods.

9. Directors' Emoluments and Five Highest Paid Individuals

Directors' emoluments

	Fee	Salaries, allowances and benefits	Contributions to retirement benefit schemes	Total
	HK$	*HK$*	*HK$*	*HK$*
Period ended 31 March 2011	–	2,851,000	64,000	2,915,000
Year ended 31 December 2009	–	1,209,000	24,000	1,233,000
Year ended 31 December 2008	–	1,200,000	18,000	1,218,000

Of the five individuals with the highest emoluments, there were two directors of the Target Company and its subsidiaries whose emoluments were disclosed above for 2011, two directors for 2009 and one director for 2008. The aggregate of the emoluments in respect of the remaining individuals were as follows:–

	15 months ended 31 March 2011	Year ended 31 December 2009	Year ended 31 December 2008
Number of remaining individuals	3	3	4

	15 months ended 31 March 2011	Year ended 31 December 2009	Year ended 31 December 2008
	HK$	*HK$*	*HK$*
Fee, salaries and other benefits	2,950,000	2,719,000	1,335,000
Contributions to retirement benefit schemes	44,000	36,000	48,000
	2,994,000	2,755,000	1,383,000

Analysis showing the number of individuals whose remuneration fell within the following bands was disclosed below:–

	15 months ended 31 March 2011	Year ended 31 December 2009	Year ended 31 December 2008
Nil – HK$1,000,000	1	3	4
HK$1,000,001 – HK$1,500,000	2	–	–

10. Operating Segments

The Target Group determines its operating segments based on the reports reviewed by the chief operating decision-makers that are used to make strategic decisions.

The Target Group has three reportable segments which are managed separately as each business offers different products and services and requires different information technology systems and marketing strategies. The operations of the Target Group's reportable segments are as follows:

The securities, commodities and future brokerage business mainly refers to provision of brokerage services for securities traded in Hong Kong and margin financing services to those brokerage clients. It also includes provision of brokerage services in commodities and future contracts traded in Hong Kong.

The financing and corporate advisory business mainly refers to money lending, provision of corporate and personal financing services as well as provision of investment advisory services.

The investment and fund management business mainly refers to investment holding, property holding, proprietary securities trading and management of investment funds.

An analysis of the Target Group's reportable segment results before taxation and other selected financial information for the Relevant Periods by operating segment is as follows:–

For the year ended 31 December 2008

	Securities, commodities and future brokerage	Financing and corporate advisory	Investment and fund management	Unallocated	Total
	HK$	*HK$*	*HK$*	*HK$*	*HK$*
Turnover from external customers	64,303,297	6,765,938	2,405,377	–	73,474,612
Total other income	5,268,716	75,300,000	62,566,895	443,718	143,579,329
Gain on disposal of interests in subsidiaries	–	–	5,793,534	–	5,793,534
Reportable segment results before taxation	(38,445,206)	69,590,734	(111,305,143)	443,718	(79,715,897)
Taxation					4,200,000
Loss for the year					(75,515,897)
Reportable segment assets	302,038,653	78,686,830	87,250,974	–	467,976,457
Reportable segment liabilities	60,177,084	114,756,768	912,768	–	175,846,620
Tax payable					598,136
Unallocated liabilities					304
Total liabilities					176,445,060

	Securities, commodities and future brokerage *HK$*	Financing and corporate advisory *HK$*	Investment and fund management *HK$*	Unallocated *HK$*	Total *HK$*
Interest income on:					
– Loans receivable and client accounts	20,032,220	6,265,938	–	–	26,298,158
– Deposits in authorised institutions	923,167	–	58	–	923,225
Depreciation	4,844,536	13,973	2,509,623	–	7,368,132
Finance costs	676,308	10,047,495	–	–	10,723,803
Additions to non-current assets other than financial instruments	11,783,931	–	79,375,974	–	91,159,905

For the year ended 31 December 2009

	Securities, commodities and future brokerage *HK$*	Financing and corporate advisory *HK$*	Investment and fund management *HK$*	Unallocated *HK$*	Total *HK$*
Turnover from external customers	82,928,993	43,052,018	8,142,742	–	134,123,753
Total other income	5,826,700	190,000	525,805	1,398,626	7,941,131
Net realised gains on disposal of financial assets at fair value through profit or loss	–	–	30,215,564	–	30,215,564
Net unrealised holding gains on financial assets at fair value through profit or loss	–	–	993,443	–	993,443
Reportable segment results before taxation	5,233,386	(79,565,523)	13,768,574	1,398,626	(59,164,937)
Taxation					(45,402)
Loss for the year					(59,210,339)
Reportable segment assets	421,468,590	723,550,153	433,902,107	–	1,578,920,850

	Securities, commodities and future brokerage	Financing and corporate advisory	Investment and fund management	Unallocated	Total
	HK$	*HK$*	*HK$*	*HK$*	*HK$*
Unallocated assets					249
Total assets					1,578,921,099
Reportable segment liabilities	158,866,624	465,996,556	14,985,504	–	639,848,684
Tax payable					558,308
Unallocated liabilities					243,004
Total liabilities					640,649,996
Interest income on:					
– Loans receivable and client accounts	19,338,967	40,817,018	8,075,402	–	68,231,387
– Deposits in authorised institutions	80,393	–	–	–	80,393
Depreciation	6,093,530	15,900	1,168,089	–	7,277,519
Finance costs	609,822	6,567,873	12,330,371	–	19,508,066
Additions to non-current assets other than financial instruments	1,349,732	50,082	28,672,212	–	30,072,026

For the fifteen months ended 31 March 2011

	Securities, commodities and future brokerage	Financing and corporate advisory	Investment and fund management	Unallocated	Total
	HK$	*HK$*	*HK$*	*HK$*	*HK$*
Turnover from external customers	143,591,597	109,014,681	159,736	–	252,766,014
Total other income	5,092,505	96,733,943	11,607,856	2,466,279	115,900,583
Net realised gains on disposal of financial assets at fair value through profit or loss	–	–	5,831,061	–	5,831,061
Reportable segment results before taxation	33,045,248	144,943,919	(104,444,773)	2,466,279	76,010,673

	Securities, commodities and future brokerage	Financing and corporate advisory	Investment and fund management	Unallocated	Total
	HK$	*HK$*	*HK$*	*HK$*	*HK$*
Share of results of an associate					(349,877)
Profit before taxation					75,660,796
Taxation					(1,688,000)
Profit for the period					73,972,796
Reportable segment assets	621,081,595	1,901,540,308	548,509,703	–	3,071,131,606
Reportable segment liabilities	238,228,613	418,547,185	17,509,000	–	674,284,798
Tax payable					2,246,308
Total liabilities					676,531,106
Interest income on:					
– Loans receivable and client accounts	45,743,511	79,963,975	–	–	125,707,486
– Deposits in authorised institutions	42,632	399,989	–	–	442,621
Depreciation	7,038,256	567,415	1,206,207	–	8,811,878
Finance costs	661,319	20,171,642	41,897,686	–	62,730,647
Additions to non-current assets other than financial instruments	960,119	8,530	83,253,583	–	84,222,232

The accounting policies of the reportable segments are the same as the Target Group's accounting policies described in Note 2 to the Financial Information.

The Target Group's revenue from external customers during the Relevant Periods is derived from the following geographical locations:–

	15 months ended 31 March 2011	Year ended 31 December 2009	Year ended 31 December 2008
	HK$	*HK$*	*HK$*
Hong Kong	246,381,702	134,123,753	73,474,612
Singapore	6,384,312	–	–
	252,766,014	134,123,753	73,474,612

The Target Group's non-current assets (excluding financial assets) by geographical locations are detailed below:–

	As at 31 March 2011	As at 31 December 2009	As at 31 December 2008
	HK$	*HK$*	*HK$*
Hong Kong	97,338,382	90,301,835	95,570,039
Singapore	31,780,892	29,709,337	1,606,563
	129,119,274	120,011,172	97,176,602

During each of the Relevant Periods, the revenue from the Target Group's largest customer amounted to less than 10 per cent of the Target Group's total revenue.

11. Property, Plant and Equipment

	Leasehold improvements HK$	Leasehold land & buildings HK$	Furniture & fixtures HK$	Office equipment HK$	Motor vehicles & yachts HK$	Total HK$
Reconciliation of carrying amount – year ended 31 December 2008						
At beginning of year	774	–	10,226,927	1,934,642	87,657,770	99,820,113
Additions	–	–	11,347,017	4,994,882	570,506	16,912,405
Amount written off	–	–	(153,000)	–	–	(153,000)
Depreciation	(774)	–	(4,229,090)	(927,807)	(2,210,461)	(7,368,132)
Disposal of subsidiaries *(note 28)*	–	–	(310,495)	(3,249,707)	(85,466,326)	(89,026,528)
Effect of change in exchange rate	–	–	–	909	–	909
At 31 December 2008	–	–	16,881,359	2,752,919	551,489	20,185,767
Reconciliation of carrying amount – year ended 31 December 2009						
At beginning of year	–	–	16,881,359	2,752,919	551,489	20,185,767
Additions	–	28,376,254	1,122,138	566,818	–	30,065,210
Additions – acquisition of subsidiaries *(note 29)*	–	–	–	6,816	–	6,816
Amount written off	–	–	–	(1,766)	–	(1,766)
Depreciation	–	(709,406)	(5,370,362)	(1,083,650)	(114,101)	(7,277,519)
Effect of change in exchange rate	–	–	28,866	12,963	–	41,829
At 31 December 2009	–	27,666,848	12,662,001	2,254,100	437,388	43,020,337
Reconciliation of carrying amount – period ended 31 March 2011						
At beginning of period	–	27,666,848	12,662,001	2,254,100	437,388	43,020,337
Additions	10,439,181	–	961,509	871,542	–	12,272,232
Disposals	–	–	(6,916)	(77,120)	(361,320)	(445,356)
Depreciation	(930,618)	(152,262)	(6,339,091)	(1,313,839)	(76,068)	(8,811,878)
Effect of change in exchange rate	–	3,337,401	104,576	51,004	–	3,492,981
At 31 March 2011	9,508,563	30,851,987	7,382,079	1,785,687	–	49,528,316
At 1 January 2008						
Cost	160,800	–	16,759,867	8,037,877	87,847,530	112,806,074
Accumulated depreciation	(160,026)	–	(6,532,940)	(6,103,235)	(189,760)	(12,985,961)
	774	–	10,226,927	1,934,642	87,657,770	99,820,113

	Leasehold improvements HK$	Leasehold land & buildings HK$	Furniture & fixtures HK$	Office equipment HK$	Motor vehicles & yachts HK$	Total HK$
At 1 January 2009						
Cost	160,800	–	27,631,485	7,914,233	570,506	36,277,024
Accumulated depreciation	(160,800)	–	(10,750,126)	(5,161,314)	(19,017)	(16,091,257)
	–	–	16,881,359	2,752,919	551,489	20,185,767
At 1 January 2010						
Cost	160,800	28,376,254	28,786,571	8,616,330	570,506	66,510,461
Accumulated depreciation	(160,800)	(709,406)	(16,124,570)	(6,362,230)	(133,118)	(23,490,124)
	–	27,666,848	12,662,001	2,254,100	437,388	43,020,337
At 31 March 2011						
Cost	10,439,181	31,756,443	29,300,655	8,194,055	–	79,690,334
Accumulated depreciation	(930,618)	(904,456)	(21,918,576)	(6,408,368)	–	(30,162,018)
	9,508,563	30,851,987	7,382,079	1,785,687	–	49,528,316

The leasehold land and buildings with a net book value of HK$30,851,987, HK$27,666,848 and nil as at 31 March 2011, 31 December 2009 and 2008 respectively are held by the Target Group under long-term lease in Singapore. The leasehold land and buildings were pledged to secure general banking facilities granted to the Target Group (Note 27).

12. Intangible Assets

	Trading rights of SEHK HK$	Trading rights of HKFE HK$	Total HK$
As at 31 March 2011, 31 December 2009 and 31 December 2008			
Cost			
At beginning of period/year	3,000,001	1,600,000	4,600,001
Accumulated amortisation and impairment loss			
At end of period/year	(1,350,000)	(506,667)	(1,856,667)
Net book value	1,650,001	1,093,333	2,743,334

13. Available-for-sale Financial Assets

	As at 31 March 2011 HK$	31 December 2009 HK$	31 December 2008 HK$
Unlisted investment, at cost	69,000,000	–	–
Less: Impairment loss	(69,000,000)	–	–
Unlisted investment, at fair value	390,826,991	308,299,154	–
	390,826,991	308,299,154	–

The unlisted investment stated at fair value represents 39,904 shares at US$1,000 each of a fund, PMA Emerging Opportunities Fund Alpha Segregated Portfolio A Shares, acquired through private placement.

In 2011, the Target Company acquired 19.75% equity interest of Best Purpose Limited ("Best Purpose") whose principal activities are money lending, securities investment and investment holding at a consideration of HK$69 million. The directors of the Target Company are of the opinion that as the variability in the range of reasonable fair value estimates for the investment are significant and probabilities of the various estimates within the range cannot be reasonably assessed and used in estimating fair value, the investment is stated at cost less impairment loss. As at 31 March 2011, Best Purpose had significant net liabilities. The directors of the Target Company assessed the investment's future economic benefit and determined that the recoverable amount of the investment would be minimal. Accordingly, full allowance was made over the investment.

14. Loans Receivable

Loans granted to borrowers are repayable according to repayment schedules. The balance comprises loans receivable from:–

	As at		
	31 March 2011	**31 December 2009**	**31 December 2008**
	HK$	*HK$*	*HK$*
Third parties	1,307,153,556	490,041,121	33,831,037
Allowance for bad and doubtful debts	(40,200,000)	(113,334,985)	(8,800,215)
	1,266,953,556	376,706,136	25,030,822
Represented by:–			
Current portion	1,266,003,806	313,316,279	12,030,822
Non-current portion	949,750	63,389,857	13,000,000
	1,266,953,556	376,706,136	25,030,822

During the period/year ended 31 March 2011, 31 December 2009 and 2008, loans receivable carry effective interest rates ranging from 5% to 15% per annum, from 2% to prime rate plus 5% per annum and from prime rate to 8% per annum respectively. The outstanding balances at the end of each of the Relevant Periods are within the respective maturity dates. For the balance as at 31 December 2009, approximately HK$156 million was secured by listed securities with fair value of approximately HK$90 million. A creditor of the Target Group has further undertaken to guarantee the repayment of loans as at 31 December 2009 to the extent of HK$135 million.

The movement in the allowance for bad and doubtful debts during the Relevant Periods is as follows:–

	15 months ended	**Year ended**	
	31 March 2011	**31 December 2009**	**31 December 2008**
	HK$	*HK$*	*HK$*
At beginning of period/year	113,334,985	8,800,215	83,648,836
Impairment loss recognised	40,200,000	113,334,985	451,379
Impairment loss reversed	(96,733,943)	(190,000)	(75,300,000)
Allowance written off	(16,601,042)	(8,610,215)	–
At end of period/year	40,200,000	113,334,985	8,800,215

The directors of the Target Company assessed the collectability of loans receivable at the end of each of the Relevant Periods individually with reference to borrowers' past collection history, current creditworthiness and fair value of collateral held. An aggregate amount due from borrowers of HK$40,200,000, HK$113,334,985 and HK$8,800,215 as at 31 March 2011, 31 December 2009 and 2008 respectively was determined to be impaired as a result of the assessment. In the opinion of the directors of the Target Company, having considered the measures as mentioned above, there was no indication of further deterioration in the collectability of the remaining amount of HK$1,266,953,556, HK$376,706,136 and HK$25,030,822 as at 31 March 2011, 31 December 2009 and 2008 respectively and thus no additional allowance was considered necessary.

15. Other Non-current Assets

	As at		
	31 March 2011	**31 December 2009**	**31 December 2008**
	HK$	*HK$*	*HK$*
Deposits with HKFE Clearing Corporation Limited	1,502,580	1,500,000	1,500,000
Admission fee paid to Hong Kong Securities Clearing Company Limited	50,000	50,000	50,000
Cash contributions to Central Clearing and Settlement System Guarantee Fund	120,000	450,000	120,000
Deposits with the SEHK	200,000	200,000	200,000
Statutory deposits	100,000	100,000	100,000
	1,972,580	2,300,000	1,970,000

16. Other Investments

	As at 31 March 2011 HK$	As at 31 December 2009 HK$	As at 31 December 2008 HK$
Other securities:–			
Unlisted shares, at cost	2,500,000	2,500,000	2,500,000
Impairment loss	(2,499,999)	(2,499,999)	(2,499,999)
	1	1	1
Artworks	74,247,500	74,247,500	74,247,500
	74,247,501	74,247,501	74,247,501

Artworks represent paintings acquired through public auctions. With reference to the advices provided by professional practitioners, the management of the Target Group assessed that there was no impairment loss as at the end of each of the Relevant Periods.

17. Interest in an Associate

	As at 31 March 2011 HK$	As at 31 December 2009 HK$	As at 31 December 2008 HK$
Unlisted shares, at cost	2,950,000	–	–
Share of post-acquisition results	(349,877)	–	–
	2,600,123	–	–
Loans receivable	1,475,000	–	–
	4,075,123	–	–

The loans receivable is unsecured, non-interest bearing and has no fixed term of repayment.

Particulars of the associate are:–

Enhanced Securities Limited

a)	Place of incorporation	:	Hong Kong
b)	Particulars of shares	:	10,000,000 ordinary shares of HK$1 each
c)	Proportion of equity interest	:	29.5%
d)	Principal activities	:	Dormant and now applying for broker licence

The financial information of the associate as at 31 March 2011 as required under HKAS 28 "Investments in associates" is as follows:–

	Assets	**Liabilities**	**Revenue**	**Loss**
	HK$	*HK$*	*HK$*	*HK$*
Enhanced Securities Limited	10,996,000	(2,548,000)	–	(1,551,000)

18. Financial Assets at Fair Value through Profit or Loss

	As at		
	31 March 2011	**31 December 2009**	**31 December 2008**
	HK$	*HK$*	*HK$*
Securities held for trading listed in Hong Kong	14,736,140	9,319,239	18,656,619

The fair values of the listed investments are based on the quoted market prices available in the Hong Kong stock market at the end of each of the Relevant Periods.

19. Trade and Other Receivables

		As at 31 March 2011	31 December 2009	31 December 2008
	Notes	*HK$*	*HK$*	*HK$*
Trade receivables:–				
Third parties		454,129,436	311,791,085	189,618,238
Other related parties	*19a*	–	–	141,324
		454,129,436	311,791,085	189,759,562
Allowance for bad and doubtful debts	*19b*	(48,644,906)	(92,754,661)	(83,123,841)
Trade receivables, net		405,484,530	219,036,424	106,635,721
Other receivables		666,457,531	7,839,579	2,488,781
		1,071,942,061	226,876,003	109,124,502

19a. Trade Receivables from Other Related Parties

The trade receivables from other related parties represent securities margin loans secured by marketable securities. Details of amounts due are as follows:–

	Maximum amount outstanding during the period/year	As at	Balance	Interest rate per annum
	HK$		*HK$*	
Close family members of an ex-director of the Target Company				
Chuang Yueheng, Henry	–	31 March 2011	–	–
	141,324	31 December 2009	–	5%

Maximum amount outstanding during the period/year	As at	Balance	Interest rate per annum
HK$		*HK$*	
15,332,129	31 December 2008	141,324	5%

At the end of each of the Relevant Periods, there was no interest due but unpaid and no allowance had been made for non-repayment of the advance or interest.

19b. Allowance for Bad and Doubtful Debts

The movement in the allowance for bad and doubtful debts during the Relevant Periods is as follows:–

	15 months ended	**Year ended**	
	31 March 2011	**31 December 2009**	**31 December 2008**
	HK$	*HK$*	*HK$*
At beginning of period/ year	92,754,661	83,123,841	37,980,718
Impairment loss recognised	1,889,425	14,243,912	53,919,029
Impairment loss reversed	(1,535,157)	(4,613,092)	(5,260,341)
Allowance written off	(44,464,023)	–	(3,515,565)
At end of period/year	48,644,906	92,754,661	83,123,841

Included in the Target Group's trade receivables, an aggregate amount of HK$48,644,906, HK$92,754,661 and HK$83,123,841 as at 31 March 2011, 31 December 2009 and 2008 due from customers were determined to be impaired and full allowance had been made respectively. These receivables were due from customers with financial difficulties or creditworthiness problems. The allowance represents the difference between the carrying amount of individual amount due from customers and the market value of the collaterals held of HK$2,253,000, HK$1,256,000 and HK$3,784,000 as at 31 March 2011, 31 December 2009 and 2008 over the respective balances respectively.

20. Cash and Cash Equivalents

			As at	
		31 March 2011	**31 December 2009**	**31 December 2008**
	Note	*HK$*	*HK$*	*HK$*
Cash and bank balances		191,106,004	532,409,395	213,017,912
Pledged bank deposits	27	3,000,000	3,000,000	3,000,000
		194,106,004	535,409,395	216,017,912
Bank overdrafts, secured		(15,491,822)	–	(19,240,179)
Bank overdrafts, unsecured		(9,549,489)	(249,777)	(648,409)
		(25,041,311)	(249,777)	(19,888,588)
As stated in the statements of cash flows		169,064,693	535,159,618	196,129,324

Bank balances of savings account earn interest at floating rates based on daily bank deposit rates. Pledged bank deposits earn interest at fixed interest rate of 0.15%, 0.07% and 0.4% per annum for the period ended 31 March 2011, years ended 31 December 2009 and 2008 respectively.

The Target Group receives and holds money deposited by clients and other institutions in the course of the conduct of the regulated activities of its ordinary business. These clients' monies are maintained in one or more segregated bank accounts. The carrying amount of segregated bank balances of the Target Group as at 31 March 2011, 31 December 2009 and 2008 are HK$95,613,959, HK$120,212,940 and HK$15,091,306 respectively. The Target Group has recognised the corresponding accounts payable to respective clients and other institutions.

21. Trade and Other Payables

		As at		
		31 March 2011	**31 December 2009**	**31 December 2008**
	Note	*HK$*	*HK$*	*HK$*
Trade payables:–				
To third parties		220,777,891	153,226,070	33,328,093
To related parties		–	–	28,221
		220,777,891	153,226,070	33,356,314
Other payables:–				
Provision	*22*	900,000	3,100,000	5,500,000
Accrued charges and other creditors		16,390,221	168,372,011	17,073,567
		17,290,221	171,472,011	22,573,567
		238,068,112	324,698,081	55,929,881

The trade payables amounting to the carrying amount of segregated bank accounts at the end of each of the Relevant Periods were payable to clients and other institutions in respect of the monies received and held for clients and other institutions in the course of the conduct of regulated activities. However, the Target Group does not have a currently enforceable right to offset those payables with the deposits placed.

The settlement terms of trade payables mainly arising from the ordinary course of business of broking in securities in respect of clients and other institutions are two trading days after the transaction dates and the excess clients' deposits are repayable to clients on demand.

22. Provision

	As at		
	31 March 2011	**31 December 2009**	**31 December 2008**
	HK$	*HK$*	*HK$*
At beginning of period/year	3,100,000	5,500,000	7,000,000
Settlement	(1,755,031)	–	(1,500,000)
Compensation of securities	–	(6,644,878)	–
Insurance compensation recoverable	–	4,500,000	–
Reversal during the period/year	(444,969)	(255,122)	–
At end of period/year	900,000	3,100,000	5,500,000

During 2006, two staff members (both resigned in 2006) of a subsidiary surrendered themselves to the police admitting that they had misappropriated clients' securities. Investigation has been conducting on this matter since 2006. Both ex-staff members were found guilty in 2008. During 2009, a compensation of HK$4.5 million was finalised and paid by the insurance company which was stakeheld by the legal counsel of that subsidiary.

The negotiation and the proceedings with certain affected clients were also finalised in 2009 and securities with fair value of approximately HK$6.6 million were compensated to them during the same year.

In 2009, one of the affected clients took further legal action against that subsidiary demanding the recovery of legal fee incurred by him in this matter and the case was settled during the period ended 31 March 2011. At the end of each of the Relevant Periods, the directors of the Target Company reassessed the adequacy of provision having taken into account the potential amount being claimed by the affected clients. Based on the best estimation of the directors of the Target Company, the provision is adequate at the end of each of the Relevant Periods.

23. Interest-Bearing Borrowings

		As at		
		31 March 2011	**31 December 2009**	**31 December 2008**
	Note	*HK$*	*HK$*	*HK$*
Secured bank loan				
– Third parties	*27*	16,175,375	15,143,830	–
Unsecured loans				
– Third parties		395,000,000	300,000,000	100,000,000
		411,175,375	315,143,830	100,000,000
Represented by:–				
Current portion		411,175,375	315,143,830	100,000,000

Secured bank loan carried interest ranging from Singapore's Bank Commercial Financing Rate less 1.5% to less 0.75% per annum for the period ended 31 March 2011 and carried interest at Singapore's Bank Commercial Financing Rate less 1.5% per annum for the year ended 31 December 2009.

Unsecured loans carried interest ranging from prime rate to 12% per annum for the period ended 31 March 2011, prime rate per annum for the year ended 31 December 2009 and prime rate to prime rate plus 2% per annum for the year ended 31 December 2008.

24. Convertible Notes

During 2009, the Target Company issued three convertible notes to its fellow subsidiary and shareholder with an aggregate principal amount of HK$750,000,000 (the "2009 Convertible Notes"):

On 25 November 2008 and 23 January 2009, the Target Company entered into a conditional subscription agreement and supplemental subscription agreement respectively with Freeman Financial Services Limited, a wholly-owned subsidiary of Freeman Financial Corporation Limited (formerly known as Freeman Corporation Limited), a shareholder of the Target Company, for the subscription of an unsecured and interest bearing redeemable convertible note due in 2015 with an aggregate principal amount of HK$250,000,000 issued by the Target Company, which would entitle the holder to convert the principal amount outstanding into new fully paid ordinary shares of the Target Company at an initial conversion price of US$0.01 per share, subject to adjustment. Interest is paid at (i) the rate of 5% per annum on the principal amount of the convertible note from time to time outstanding for a period of 3 years for the date of this convertible note (the "First Period"); and (ii) the rate of 7% per annum on the principal amount of the convertible note from time to time outstanding for the period commencing the expiry of the First Period up to and including the maturity date.

On 7 and 28 September 2009, the Target Company entered into two subscription agreements with Equity Spin Investment Limited respectively, another shareholder of the Target Company, for the subscription of two unsecured and non-interest bearing redeemable convertible notes due in 2015 with an aggregate principal amount of HK$500,000,000 issued by the Target Company, which would entitle the holders to convert the principal amount outstanding into new fully paid ordinary shares of the Target Company at an initial conversion price of US$0.01 per share, subject to adjustment.

The holders of the 2009 Convertible Notes has the right to convert, the whole or any part of the outstanding principal amount of the 2009 Convertible Notes into ordinary shares of the Target Company at any time from the date of issue up to (and excluding) the commencement of the seven calendar day period ending on (and including) the maturity date which is on the sixth anniversary following the date of issue of the 2009 Convertible Notes (the "2009 CN Maturity Date"). The 2009 Convertible Notes would be repaid on the 2009 CN Maturity Date, if the 2009 Convertible Notes were not converted into ordinary shares of the Target Company.

The Target Company shall have the right at any time and from time to time, by written notice to the holder elect to redeem the whole or part of the then outstanding principal amount of the 2009 Convertible Notes at an amount equal to 100% of the principal amount of the 2009 Convertible Notes together with all interest accrued.

The 2009 Convertible Notes contain liability component, equity component (i.e. conversion option) and early redemption option derivative. The early redemption option derivative is not closely related to the host contract as the early redemption amount is not close to the amortised cost of the liability on the redemption date. During 2009, the 2009 Convertible Notes with an aggregate principal amount of HK$700,000,000 were converted into 8,750,000,000 ordinary shares of the Target Company at the conversion price of US$0.01 per share. Moreover, on 16 December 2009, the Target Company has redeemed all the remaining Convertible Notes with an aggregate principal amount of HK$50,000,000.

During the period from 1 January 2010 to 31 March 2011, the Target Company issued three convertible notes to a shareholder and two third parties with an aggregate principal amount of HK$801,000,000:

In January 2010, the Target Company and Super Star Far East Limited ("Super Star"), an independent third party, entered into a subscription agreement pursuant to which, a redeemable convertible note due in 2012 with a principal amount of HK$301,000,000 (the "2011 Hennabun 1st CN") was issued to Super Star by the Target Company.

The 2011 Hennabun 1st CN was unsecured, interest-free and due for repayment at 100% of the outstanding principal amount at the second anniversary following the date of issue of the 2011 Hennabun 1st CN. The 2011 Hennabun 1st CN was convertible into ordinary shares of the Target Company at any time from the date of issue of the 2011 Hennabun 1st CN up to (and excluding) seven days prior to (and including) the maturity date at a conversion price of HK$7 per share (subject to adjustments). The Target Company might at any time elect to redeem at any time the whole or in part of the 2011 Hennabun 1st CN at 100% of the principal amount of the 2011 Hennabun 1st CN.

In October 2010, the Target Company elected to redeem the entire 2011 Hennabun 1st CN at a redemption consideration of HK$301,000,000. The 2011 Hennabun 1st CN was fully redeemed by cash on the same date.

In July 2010, the Target Company and Smart Orient Investments Limited ("Smart Orient"), an independent third party, entered into a subscription agreement pursuant to which a redeemable convertible note due in 2013 with a principal amount of HK$200,000,000 (the "2011 Hennabun 2nd CN") was issued to Smart Orient by the Target Company.

The 2011 Hennabun 2nd CN was unsecured, interest-free and due for repayment at 100% at the outstanding principal amount at the third anniversary following the date of issue of the 2011 Hennabun 2nd CN. The 2011 Hennabun 2nd CN was convertible into the ordinary shares of the Target Company at any time from the date of issue of the 2011 Hennabun 2nd CN up to (and excluding) the commencement of the seven calendar day period ending on (and including) the maturity date at a conversion price of HK$5.4 per share (subject to adjustments). The Target Company might at any time elect to redeem at any time the whole or in part of the 2011 Hennabun 2nd CN at 100% of the principal amount of the 2011 Hennabun 2nd CN.

In September 2010, the Target Company elected to redeem the outstanding 2011 Hennabun 2nd CN in the principal amount of HK$200,000,000 at a redemption consideration of HK$200,000,000. The 2011 Hennabun 2nd CN was fully redeemed by cash on the same date.

In December 2010, the Target Company and Skytop Technology Limited ("Skytop"), an independent third party, entered into a subscription agreement pursuant to which, a convertible note due in 2011 with a principal amount of HK$300,000,000 (the "2011 Hennabun 3rd CN") was issued to Skytop by the Target Company.

The 2011 Hennabun 3rd CN was unsecured, interest bearing at 5% per annum and due for repayment at 100% of the outstanding principal amount at the first anniversary following the date of issue of the 2011 Hennabun 3rd CN. The 2011 Hennabun 3rd CN was convertible into ordinary shares of the Target Company at any time from the date of issue of the 2011 Hennabun 3rd CN up to (and excluding) the commencement of seven calendar day period ending on (and including) the maturity date at a conversion price of HK$6 per share (subject to adjustments). The Target Company might at any time elect to redeem at any time the whole or in part of the 2011 Hennabun 3rd CN at 100% of the principal amount of the 2011 Hennabun 3rd CN plus interest accrued.

In February 2011, the Target Company elected to redeem the entire 2011 Hennabun 3rd CN at a redemption consideration of HK$300,000,000 plus interest accrued. The 2011 Hennabun 3rd CN was fully redeemed by cash on the same date.

Valuation of liability component

At the date of issue, the liability component was recognised at fair value. The fair value of liability component was estimated at the issuance date using an equivalent market interest rate for a similar note without a conversion option.

Valuation of the early redemption option derivative

At the date of issue, conversion and redemption, the early redemption option derivative was recognised at fair value. The fair value of the early redemption option derivative, which was determined by the directors of the Target Company, with reference to the observable market data, is nil at the date of issue, conversion and redemption.

Movements of the Convertible Notes during the Relevant Periods are set out below:

	Liability component *HK$*	**Equity component** *HK$*	**Derivative component** *HK$*	**Total** *HK$*
At 1 January 2009	–	–	–	–
Upon issuance	549,338,516	200,661,484	–	750,000,000
Effective interest expenses included in finance costs	4,535,850	–	–	4,535,850
	553,874,366	200,661,484	–	754,535,850
Conversion	(521,465,680)	(182,544,365)	–	(704,010,045)
Redemption	(32,408,686)	(18,117,119)	–	(50,525,805)
At 31 December 2009	–	–	–	–
At 1 January 2010	–	–	–	–
Upon issuance	729,871,097	71,128,903	–	801,000,000
Effective interest expenses included in finance costs	11,607,856	–	–	11,607,856
	741,478,953	71,128,903	–	812,607,856
Redemption	(741,478,953)	(71,128,903)	–	(812,607,856)
At 31 March 2011	–	–	–	–

25. Share Capital

	Notes	**Number of ordinary shares**	**Nominal value** *HK$*
Authorised:–			
Ordinary shares of US$0.01 each at 1 January 2008		7,500,000,000	585,000,000
Increase in shares of US$0.01 each during the year	*(i)*	1,000,000,000	78,000,000
Ordinary shares of US$0.01 each at 31 December 2008 and 1 January 2009		8,500,000,000	663,000,000
Increase in shares of US$0.01 each during the year	*(ii)*	6,500,000,000	507,000,000
Consolidation of 100 shares of US$0.01 each into 1 share of US$1 each	*(iii)*	(14,850,000,000)	–
Increase in shares of US$1 each during the year	*(iv)*	350,000,000	2,730,000,000
Decrease in par value of shares from US$1 each to US$0.1 each	*(v)*	–	(3,510,000,000)
Increase in shares of US$0.1 each during the year	*(v)*	4,500,000,000	3,510,000,000
Ordinary shares of US$0.1 each as at 31 December 2009 and 31 March 2011		5,000,000,000	3,900,000,000

	Notes	**Number of ordinary shares**	**Nominal value**
			HK$
Issued and fully paid:–			
Ordinary shares of US$0.01 each at 1 January 2008		1,914,266,667	149,312,800
Issue of shares of US$0.01 each	*(vi)*	3,450,000,000	269,100,000
Repurchase of shares of US$0.01 each arising from disposal of a subsidiary	*(vii)*	(409,633,334)	(31,951,400)
Ordinary shares of US$0.01 each at 31 December 2008 and 1 January 2009		4,954,633,333	386,461,400
Issue of shares of US$0.01 each	*(viii)*	25,000,000	1,950,000
Issue of shares of US$0.01 each on conversion of convertible notes	24	8,750,000,000	682,500,000
Repurchase of shares of US$0.01 each	*(ix)*	(50,000,000)	(3,900,000)
Consolidation of 100 shares of US$0.01 each into 1 share of US$1 each	*(iii)*	(13,542,837,000)	–
Decrease in par value of shares from US$1 to US$0.1	*(v)*	–	(960,310,260)
Ordinary shares of US$0.1 each at 31 December 2009 and 1 January 2010		136,796,333	106,701,140
Repurchase of ordinary shares of US$0.1 each	*(x)*	(800,000)	(624,000)
Issue of shares of US$0.1 each	*(xi)*	123,666,666	96,460,000
Issue of shares of US$0.1 each	*(xii)*	40,000,000	31,200,000
Issue of shares of US$0.1 each	*(xiii)*	11,500,000	8,970,000
Issue of shares of US$0.1 each	*(xiv)*	42,138,127	32,867,738
Ordinary shares of US$0.1 each at 31 March 2011		353,301,126	275,574,878

Notes:

(i) Pursuant to an ordinary resolution of the board of directors of the Target Company passed on 17 November 2008, the authorised ordinary share capital of the Target Company was increased to HK$663,000,000 by the creation of an additional 1,000,000,000 ordinary shares of US$0.01 each.

(ii) Pursuant to an ordinary resolution of the board of directors of the Target Company passed on 7 September 2009, the authorised ordinary share capital of the Target Company was increased to HK$1,170,000,000 by the creation of an additional 6,500,000,000 ordinary shares of US$0.01 each.

(iii) Pursuant to an ordinary resolution of the board of directors of the Target Company passed on 10 November 2009, a share consolidation of every 100 existing ordinary shares of US$0.01 each into 1 new ordinary share of US$1 each was approved.

(iv) Pursuant to an ordinary resolution of the board of directors of the Target Company passed on 10 November 2009, the authorised ordinary share capital of the Target Company was increased to HK$3,900,000,000 by the creation of an additional 350,000,000 ordinary shares of US$1 each.

(v) Pursuant to the ordinary resolutions of the board of directors of the Target Company passed on 8 December 2009, the par value of the ordinary shares was changed from US$1 each to US$0.1 each and the authorised share capital of the Target Company was increased to HK$3,900,000,000 by the creation of an additional 4,500,000,000 ordinary shares of US$0.1 each.

(vi) Pursuant to an ordinary resolution of the board of directors of the Target Company passed in 2008, 3,450,000,000 ordinary shares in total of US$0.01 each were issued for total cash consideration of HK$343,000,000.

(vii) On 10 October 2008, the Target Company entered into a sale and purchase agreement pursuant to which the entire interests in a wholly-owned subsidiary, Sky Vision Enterprises Limited ("Sky Vision"), be transferred to three shareholders of the Target Company for the exchange of 409,633,334 ordinary shares of the Target Company held by them (the "Exchange") at a consideration of HK$44,574,000. Immediately after the Exchange, the three individuals transferred all their respective beneficial interests in Sky Vision shares to a related company or its nominee.

(viii) On 2 July 2009, the Target Company entered into a sale and purchase transaction with a director of its subsidiaries pursuant to which the Target Company acquired 100% shareholding of CU Investment Management Limited at a consideration of HK$1,950,000 by issue of 25,000,000 ordinary shares of the Target Company at US$0.01 each.

(ix) On 2 October 2009, the Target Company repurchased 50,000,000 ordinary shares of US$0.01 each from a shareholder at a cash consideration of HK$10,000.

(x) On 11 October 2010, the Target Company repurchased 800,000 ordinary shares of US$0.1 each from a shareholder at a cash consideration of HK$4,000,000.

(xi) Pursuant to ordinary resolutions of the board of directors of the Target Company passed during the periods from 1 January 2010 to 31 March 2011, 123,666,666 ordinary shares in total of US$0.1 each were issued for total cash consideration of HK$741,999,997.

(xii) On 29 December 2010, the Target Company entered into a sale and purchase transaction with Cordoba Homes Limited, pursuant to which the Target Company acquired 400,000,000 ordinary shares of Cordoba Homes Limited by issue of 40,000,000 ordinary shares at US$0.1 each. The equity interest of the 400,000,000 ordinary shares of Cordoba Homes Limited was subsequently sold during the period ended 31 March 2011 at a consideration of HK$250,000,000, settled by offsetting an outstanding loan payable of the Target Group of the same amount.

(xiii) On 17 February 2011, the Target Company entered into a sale and purchase transaction with Coupevilla Limited ("Coupevilla"), pursuant to which the Target Company acquired 7,900,000 ordinary shares of Best Purpose Limited from Coupevilla at a consideration of HK$69,000,000 by issue of 11,500,000 ordinary shares at US$0.1 each.

(xiv) On 4 March 2011, the Target Company issued 42,138,127 shares of US$0.1 each to a subsidiary of a shareholder of the Target Company at a consideration of HK$252,828,762. The consideration was settled through set-off of an outstanding loans receivable and interest accrued.

All these shares issued during the Relevant Periods rank pari passu in all respects with the existing shares.

26. Significant Commitments

At the end of the Relevant Periods, the Target Group had significant commitments, rounded to the nearest thousand, as follows:–

	As at		
	31 March 2011	**31 December 2009**	**31 December 2008**
	HK$	*HK$*	*HK$*
Capital commitments:–			
Contracted but not provided for	35,647,000	–	–
Future operating lease expenses for land and buildings are payable as follows:–			
Within 1 year	9,910,000	10,408,000	12,024,000
After 1 year but within 5 years	1,860,000	247,000	2,873,000
	11,770,000	10,655,000	14,897,000
	47,417,000	10,655,000	14,897,000

The Target Group agreed to provide funding to its associated company for an amount totalling HK$5,900,000 and as at 31 March 2011, the outstanding amount to be provided for is HK$4,425,000.

27. Pledge of Assets

The Target Group has pledged bank deposits with a net book value of approximately HK$3,000,000 as at 31 March 2011, 31 December 2009 and 2008 to secure general banking facilities granted to the Target Group.

Leasehold land and buildings of HK$30,851,987 and HK$27,666,848 of the Target Group have been pledged to secure general banking facilities granted to the Target Group as at 31 March 2011 and 31 December 2009 respectively.

28. Disposal of Subsidiaries

In 2008, the Target Group disposed of its 100% equity interests in Hero City Trading Limited, Sky Vision Enterprises Limited and Uprite Limited at considerations of HK$31,240,000, HK$44,574,000 and HK$94,000,000 respectively. In 2009, the Target Group disposed of its 100% equity interests in Golden Medal Limited and Park Rise Investments Limited at considerations of US$1 each. During the period ended 31 March 2011, the Target Group disposed of its 100% equity interest in AHPT Limited at a consideration of US$1. The net assets of these subsidiaries at the date of disposal were as follows:-

	31 March 2011 *HK$*	**31 December 2009** *HK$*	**31 December 2008** *HK$*
Net assets disposed of:–			
Property, plant and equipment *(note 11)*	–	–	89,026,528
Deposits for investment project	–	–	31,240,000
Other receivables	16	16	64,877,051
Other payables	–	–	(21,123,113)
	16	16	164,020,466
(Loss)/Gain on disposal of interests in subsidiaries	(8)	–	5,793,534
	8	16	169,814,000
Total consideration satisfied by:–			
Cash consideration	8	16	94,000,000
Waiver of current account	–	–	31,240,000
Repurchase of ordinary shares	–	–	44,574,000
	8	16	169,814,000
Analysis of inflow of cash and cash equivalents in respect of disposal of subsidiaries			
Net inflow of cash and cash equivalents	8	16	94,000,000

29. Acquisition of a Subsidiary

On 2 July 2009, the Target Group acquired 100% shareholding of CU Investment Management Limited, a company engaged in research consultancy services and investment management activities, by issue of 25,000,000 ordinary shares at US$0.01 each.

The fair value of the identifiable assets and liabilities of the business as at the date of acquisition and their carrying value determined in accordance with HKFRS immediately before combination are as follows:–

	Carrying value	**Fair value**
	HK$	*HK$*
Property, plant and equipment *(note 11)*	6,816	6,816
Cash and cash equivalents	1,722,651	1,722,651
Trade and other receivables	128,616	128,616
Provision for taxation	28,143	28,143
Accrued charges	(3,500)	(3,500)
Total consideration	1,882,726	1,882,726
Consideration		
Shares issued, at par value		1,950,000
Costs associated with the acquisition		(67,274)
		1,882,726
Net cash acquired from the subsidiary		1,722,651
Cash paid		–
Net cash inflow		1,722,651

Since the acquisition, the acquired subsidiary has contributed HK$600,001 and a loss of HK$10,201 to the revenue and results of the Target Group respectively for the year ended 31 December 2009.

If the business combination effected during the year ended 31 December 2009 had been taken place at the beginning of that year, the revenue and loss for the year ended 31 December 2009 of the Target Group would have been HK$142,664,885 and HK$59,081,294 respectively.

30. Major Non-cash Transactions

Major non-cash transactions during the year have been disclosed in notes 24, 25, 28 and 29.

31. Loss on Investment

During 2007, the Target Company procured an investment project known as "Self-Provided Cargo Train" in the People's Republic of China ("PRC") in which the Target Group was told that the joint-investor, China Railway Investment Group Limited, in the PRC had been granted special permit to operate wagon trains on designated routes throughout the entire PRC train network in 2007. The Target Group considered the project have had development potential and thus participated in the project by investing a sum of HK$55 million into a company to be incorporated in Beijing, the PRC.

Having invested the sum for a few months, the Target Group encountered difficulty with the PRC partners in ascertaining the progress of the investment project and the usage of fund so invested. The matter was later reported to the Commercial Crime Bureau for further investigation. In addition, the directors of the Target Company have sought advice from a PRC legal counsel in order to assist them to assess the value of this investment. During 2008, the Guangdong Province Intermediate People's Court delivered a judgement requesting the PRC partners to refund in full of HK$55 million for compensating the investment loss. Later, the PRC partners lodged an appeal against the judgement. The appeal was closed by the final judgement of the Guangdong Province Supreme People's Court ("Court") on 10 December 2008 ("Final Judgement"). The wholly owned subsidiary, Chung Nam Finance Limited, won in this appeal and is eligible to lodge application to enforce the Final Judgement within two years from the date of the Final Judgement delivered by the Court. However, in the opinion of directors of the Target Company, it is still in doubt whether the indemnity payment can be recovered as at the end of each of the Relevant Periods.

32. Related Party Transactions

In addition to the transactions and balances disclosed elsewhere in these financial statements, the Target Group entered into significant related party transactions, rounded to the nearest thousand, as follows:–

	15 months ended 31 March 2011	Year ended 31 December 2009	Year ended 31 December 2008
	HK$	*HK$*	*HK$*
Transactions with a close family member of an ex-director of the Target Company (resigned on 11 November 2009)			
– Loan borrowed	–	–	7,800,000
Transactions with an ex-director of the Target Company (resigned on 11 November 2009)			
– Guarantee for banking facilities	–	30,000,000	30,000,000
– Stand-by facilities *(note i)*	–	150,000,000	150,000,000
Transactions with a related company with a common ex-director of the Target Company (resigned on 11 November 2009)			
– Commission and brokerage income	–	177,000	38,000
– Loans receivable sold	–	–	68,473,000
– Disposal of a subsidiary *(note ii)*	–	–	31,240,000
– Waiver of amount due to a related company	–	–	62,567,000
– Loan receivables recovered through a related company	–	334,620,000	–
Transactions with a shareholder			
– Interest expense	1,755,000	–	–
Transactions with a subsidiary of a shareholder			
– Rental expense	900,000	–	–

Notes:

(i) The stand-by facilities were granted to a wholly-owned subsidiary of the Target Company.

(ii) A wholly-owned subsidiary was disposed of to a related company.

33. Contingency

In 2008, a bankruptcy order was made against a margin loan debtor (the "Bankruptcy Order") of a subsidiary. Since then, an official receiver has been appointed which has demanded the subsidiary for the payment of the net amount due to the Bankruptcy Order (the "Claim"). The maximum potential claim of approximately HK$13 million was recorded as other creditors of the Target Group as at the end of each of the Relevant Periods. The subsidiary appointed a lawyer to handle the Claim. An ex-director of the Target Company (resigned on 11 November 2009) has also given an indemnity in the form of trust money of approximately HK$13 million to that subsidiary to finance any payment whenever necessary.

34. Capital Management

The Target Group's equity capital management objectives are to safeguard the Target Group's ability to continue as a going concern and to provide an adequate return to shareholders commensurately with level of risk. To meet these objectives, the Target Group manages the equity capital structure and makes adjustments to it in the light of changes in economic conditions by paying dividends to shareholders, issuing new equity shares, and raising or repaying debts as appropriate.

The Target Group's equity capital management strategy, which was unchanged from the previous years, was to maintain a reasonable proportion in total debts and equity capital. The Target Group monitors equity capital on the basis of the net debt-to-adjusted capital ratio, which is calculated as net debt over adjusted capital. Net debt is calculated as total debt (which includes trade and other payables, borrowings and derivative financial instruments) plus unaccrued proposed dividends, if any, less time deposits with a maturity period of three months or less, cash and bank balances. Adjusted capital comprises all components of equitys, other than amounts recognised in equity relating to cash flow hedges, less unaccrued proposed dividends, if any.

The net debt-to-adjusted capital ratios are as follows:–

	As at		
	31 March 2011	**31 December 2009**	**31 December 2008**
	HK$	*HK$*	*HK$*
Total debts	674,284,798	640,091,688	175,846,924
Cash and bank balances	(194,106,004)	(535,409,395)	(216,017,912)
Net debt	480,178,794	104,682,293	(40,170,988)
Total equity and adjusted capital	2,394,600,500	938,271,103	291,531,397
Net debt-to-adjusted capital ratio	0.20	0.11	N/A

As cash and bank balances as at 31 December 2008 exceeded total debts, the net debt-to-adjusted capital ratio was not applicable.

35. Financial Instruments by Category

The carrying amounts of each of the categories of financial instrument at the end of each of the Relevant Periods are as follows:–

		As at	
Financial assets	**31 March 2011**	**31 December 2009**	**31 December 2008**
	HK$	*HK$*	*HK$*
Loans to an associate	1,475,000	–	–
Loans receivable	1,266,953,556	376,706,136	25,030,822
Other non-current assets	1,972,580	2,300,000	1,970,000
Trade receivables	405,484,530	219,036,424	106,635,721
Other receivables	627,856,852	7,839,579	2,488,781
Pledged bank deposits	3,000,000	3,000,000	3,000,000
Cash and bank balances	191,106,004	532,409,395	213,017,912
Loans and receivables	2,497,848,522	1,141,291,534	352,143,236
Available-for-sale financial assets	390,826,991	308,299,154	–
Financial assets at fair value through profit or loss	14,736,140	9,319,239	18,656,619
	2,903,411,653	1,458,909,927	370,799,855

		As at	
Financial liabilities	**31 March 2011**	**31 December 2009**	**31 December 2008**
	HK$	*HK$*	*HK$*
Trade payables	220,777,891	153,226,070	33,356,314
Accrued charges and other creditors	16,390,221	168,372,011	17,073,567
Interest-bearing borrowings	411,175,375	315,143,830	100,000,000
Amounts due to a related company	–	–	28,455
Bank overdrafts	25,041,311	249,777	19,888,588
Financial liabilities at amortised cost	673,384,798	636,991,688	170,346,924

36. Credit Risks

Credit risks are primarily attributable to margin loan business and money leading business as the Target Group trades mainly with recognised, creditworthy third parties. It is the Target Group's policy that all customers who wish to trade in securities with the Target Group's margin facilities or borrow money from the Target Group are subject to credit verification procedures. The exposures to the credit risk in relation to these financial assets are monitored on an ongoing basis.

As at 31 March 2011, 31 December 2009 and 2008, the trade receivables with amount of approximately HK$340,501,000, HK$170,312,000 and HK$89,244,000 were secured by clients' pledged securities with fair value of approximately HK$2,549,135,000, HK$2,886,606,000 and HK$735,625,000 respectively. The trade receivables are repayable on demand and bear effective interest rates ranging from 5% to 10% per annum for each of the Relevant Periods. As at 31 December 2009, one of the loans receivable was secured by listed securities with fair value of HK$90 million. In addition, a creditor of the Target Group has undertaken to guarantee the repayment of loans outstanding as at 31 December 2009 to the extent of HK$135 million. The interest rate and repayment term of the loans receivable have been set out in Note 14 to the Financial Information.

The maximum exposure to credit risk of the trade receivables is represented by the carrying amount of the trade receivables less the aforesaid market value of pledged securities at the end of each of the Relevant Periods, and the maximum exposure to credit risk of the other financial assets is represented by the carrying amount of each financial asset at the end of each of the Relevant Periods.

No aging analysis of trade receivables is disclosed as in the opinion of the directors of the Target Company, the aging analysis does not give additional value to the risk management of the trade receivables in view of the nature of the Target Group's margin financing services.

As at 31 March 2011, 31 December 2009 and 2008, the Target Group had a concentration of credit risk as 84%, 99% and 100% respectively of the loans receivable was due from the Target Group's three largest borrowers while the amount due from the Target Group's ten largest securities clients represented 23%, 29% and 59% of the total trade and other receivables as at 31 March 2011, 31 December 2009 and 2008 respectively.

37. Liquidity Risks

The Target Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank overdrafts and interest-bearing borrowing. The Target Group does not have a specific policy in place but the exposure to the liquidity risk in relation to these financial liabilities is monitored on an ongoing basis.

The maturity profile of the Target Group's financial liabilities at the end of each of the Relevant Periods based on contractual undiscounted payments are summarised below:–

	Total	**Within 1 year or on demand**	**After 1 year but within 5 years**	**After 5 years**
	HK$	*HK$*	*HK$*	*HK$*
As at 31 March 2011				
Trade and other payables	237,168,112	237,168,112	–	–
Bank overdrafts	25,041,311	25,041,311	–	–
Interest-bearing borrowings	431,330,851	431,330,851	–	–
	693,540,274	693,540,274	–	–
As at 31 December 2009				
Trade and other payables	321,598,081	321,598,081	–	–
Bank overdrafts	249,777	249,777	–	–
Interest-bearing borrowings	318,431,501	318,431,501	–	–
	640,279,359	640,279,359	–	–
As at 31 December 2008				
Trade and other payables	50,429,881	50,429,881	–	–
Due to a related company	28,455	28,455	–	–
Bank overdrafts	19,888,588	19,888,588	–	–
Interest-bearing borrowings	101,319,178	101,319,178	–	–
	171,666,102	171,666,102	–	–

Bank loans with a repayment on demand clause are included in the "within 1 year or on demand" time band in the above maturity analysis.

38. Currency Risks

Currency risks are risks that fair value or future cash flows of financial instruments will fluctuate because of changes in foreign exchange rates.

The Target Group is exposed to foreign currency risk because of investments in subsidiaries operated outside Hong Kong, which are denominated in foreign currencies, principally the Singapore dollars. The Target Group currently does not have policies to hedge this exposure. Management of the Target Company considers that the Target Group has limited exposure to foreign currency risk since the investments in subsidiaries are not significant at the end of each of the Relevant Periods.

39. Interest Rate Risks

Interest rate risks are risks that fair value or future cash flows of financial instruments will fluctuate because of changes in market interest rates.

The Target Group's exposure to market risk for changes in interest rates relates primarily to the Target Group's interest-bearing loans receivable, bank balances, bank overdrafts and interest-bearing borrowings, which are mainly based on the prime rate or the bank saving accounts rate plus/minus a certain percentage. The interest rates and terms of repayment have been disclosed in the respective notes. The Target Group does not have a specific policy in place but the exposure to the interest rate risk in relation to these financial instruments is monitors on an ongoing basis.

At the end of each of the Relevant Periods, if interest rate had been 100 basis point higher/lower and all other variables were held constant as at 31 March 2011, 31 December 2009 and 2008, the Target Group's net profit for the period ended 31 March 2011, and net loss for the years ended 31 December 2009 and 2008 would decrease/increase by approximately HK$1,798,000/HK$3,717,000, decrease/increase by approximately HK$3,953,000/HK$903,000 and decrease/increase by approximately HK$155,000/HK$923,000 respectively, but there would be no impact on the other equity reserves. This is mainly attributable to the Target Group's exposure to interest rates on its bank balances, loans receivable and interest bearing borrowings.

The sensitivity analysis above has been determined assuming that the change in interest rates had occurred at the end of the Relevant Periods and had been applied to the exposure to interest rate risk for all financial instruments in existence at that date. The 100 basis point increase or decrease as at 31 March 2011, 31 December 2009 and 2008 represents assessment by the management of the Target Company of a reasonably possible change in interest rates over the period until the next annual end of the reporting period.

Management of the Target Company considers that the Target Group has limited exposure to interest rate risk relating to margin account balances as these accounts carry fixed rates ranging from 5% to 10% per annum. Under assessment by the management of the Target Company, there would not be significant changes in such fixed rates over the period until the next annual end of the reporting period.

40. Market Price Risks

Market price risks are risks that fair value or future cash flows of financial instruments traded in the market will fluctuate because of changes in market prices.

The sensitivity analysis has been determined based on the exposure to equity price risk. At the end of each of the Relevant Periods, if the equity price on financial assets at fair value through profit or loss had been 15% higher/lower while all other variables were held constant, the Target Group's net profit as at 31 March 2011, net loss as at 31 December 2009 and 2008 would increase/decrease by approximately HK$2,210,000 decrease/increase by approximately HK$1,398,000 and HK$2,798,000 respectively. The equity as at 31 March 2011, 31 December 2009 and 2008 would increase/decrease by approximately HK$2,210,000, HK$1,398,000 and HK$2,798,000 respectively. If the equity price on available-for-sale financial assets had been 15% higher/lower at 31 March 2011 and 31 December 2009 while all other variables were held constant, the Target Group's equity would increase/decrease by approximately HK$58,624,000 and HK$46,245,000 respectively.

The sensitivity analysis above has been determined assuming that the reasonably possible changes in the stock market index or other relevant risk variables had occurred at the end of the Relevant Periods and had been applied to the exposure to equity price risk of financial assets at fair value through profit or loss in existence at that date. It is also assumed that the fair values of the Target Group's investments would change in accordance with the historical correlation with the relevant stock market index or the relevant risk variables, and that all other variables remain constant. The stated changes represent the assesement of Target Company's management of reasonably possible changes in the relevant stock market index or the relevant risk variables over the period until the next annual end of the reporting period. Moreover, the time frame for the sensitivity analysis is assumed to be one month as the Target Group usually trades within the short period of time, normally within one month. The analysis is performed on the same basis for 2008 and 2009.

41. Fair Value Disclosures

The following presents the carrying value of financial instruments measured at fair value at 31 March 2011, 31 December 2009 and 2008 across the three levels of the fair value hierarchy defined in HKFRS 7, Financial Instruments: Disclosures, with the fair value of each financial instrument categorized in its entirety based on the lowest level of input that is significant to that fair value measurement. The levels are defined as follows:–

Level 1 (highest level):	fair values measured using quoted prices (unadjusted) in active markets for identical financial instruments;
Level 2:	fair values measured using quoted prices in active markets for similar financial instruments, or using valuation techniques in which all significant inputs are directly or indirectly based on observable market data;
Level 3 (lowest level):	fair values measured using valuation techniques in which any significant input is not based on observable market data.

	As at		
	31 March 2011	**31 December 2009**	**31 December 2008**
	HK$	*HK$*	*HK$*
Amounts measured at fair value:			
Available-for-sale financial assets	390,826,991	308,299,154	–
Financial assets at fair value through profit or loss	14,736,140	9,319,239	18,656,619
	405,563,131	317,618,393	18,656,619
Analysis:–			
Level 1	14,736,140	9,319,239	18,656,619
Level 2	390,826,991	308,299,154	–
	405,563,131	317,618,393	18,656,619

The directors of the Target Company consider that the carrying amount of financial assets and financial liabilities recorded at amortised cost in the Financial Information approximate their fair value.

During each of the Relevant Periods, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into and out of Level 3 fair value measurements.

42. Subsequent Events

On 27 April 2011, the Target Company issued a redeemable convertible note with a principal amount of HK$300 million to one of the shareholders.

The redeemable convertible note was unsecured, interest-free and due for repayment at 100% of the outstanding principal amount at the first anniversary following the date of issue of the convertible note. The convertible note was convertible into ordinary shares of the Target Company at any time from the date of issue of the convertible note up to (and excluding) seven days prior to (and including) the maturity date at a conversion price of HK$6 per share (subject to adjustments). The Target Company might at any time elect to redeem at any time the whole or in part of the convertible note at 100% of the principal amount of the convertible note.

Subsequent to 31 March 2011 and up to the date of this report, the Target Company has issued 37,100,000 ordinary shares and repurchased 3,330,000 ordinary shares.

Save as above or disclosed elsewhere in this report, there was no other significant events took place subsequent to 31 March 2011.

43. Subsequent Financial Information

No audited consolidated financial statements and financial statements have been prepared by the Target Group and the Target Company respectively in respect of any period subsequent to 31 March 2011.

Yours faithfully,
Hopkins CPA Limited
Certified Public Accountants
Hong Kong

B. MANAGEMENT DISCUSSION AND ANALYSIS OF THE HENNABUN GROUP

Management discussion and analysis of the Hennabun Group for the fifteen months ended 31 March 2011 and for each of the two years ended 31 December 2008 and 2009

Hennabun is an investment holding company incorporated in the BVI with limited liability. Hennabun Group is engaged in provision of securities, commodities and future brokerage business, money lending, margin financing and corporate finance advisory, investment and fund management as well as proprietary trading and direct investment. The directors of Hennabun Group intend to develop its fund management business through internal resources. Meanwhile, Hennabun Group would take into consideration of the market conditions and remain open to other suitable investments which are expected to add to the synergetic well being of Hennabun Group should commercial opportunities arise.

Below are some Hennabun's subsidiaries which are licensed corporation to carry out business in regulated activity under the SFO:

– Chung Nam Securities Limited, a licensed corporation to carry out business in type 1 (dealing in securities) regulated activity under the SFO;

– Chung Nam Commodities Limited, a licensed corporation to carry out business in type 2 (dealing in futures contracts) regulated activity under the SFO;

– CU Corporate Finance Limited, a licensed corporation to carry out business in type 6 (advising on corporate finance) regulated activities under the SFO; and

– CU Investment Management Limited, a licensed corporation to carry out business in type 4 (advising on securities) and type 9 (asset management) under the SFO.

Set out below is the management discussion and analysis of the operating results and business review for each of the two years ended 31 December 2008 and 2009 and for the fifteen months ended 31 March 2011:–

For the year ended 31 December 2008

Business review

Hennabun Group was principally engaged in provision of securities, commodities and future brokerage business, financial and corporate advisory business, investment and fund management business, proprietary trading and investment holding.

Securities, commodities and future brokerage business

For the year ended 31 December 2008, turnover of approximately HK$64.3 million was solely attributable to the provision of securities, commodities and future brokerage business. This amount was decreased by approximately HK$70.4 million as compared to approximately HK$134.7 million in 2007 as there was a significant decrease in brokerage of securities/futures tradings in 2008 as a result of the financial tsunami. The segment recorded a loss of approximately HK$38.4 million before taxation.

Financing and corporate advisory business

For the year ended 31 December 2008, turnover of approximately HK$6.8 million was solely attributable to the provision of financing and corporate advisory business. This amount was decreased by approximately HK$2.1 million as compared to approximately HK$8.9 million as less loans were financed to clients in 2008 as a result of a weakened demand of fund raising activities in local market. The segment recorded a profit of approximately HK$69.6 million before taxation.

Investment and fund management business

For the year ended 31 December 2008, turnover of approximately HK$2.4 million was solely attributable to the provision of investment and fund management business. No turnover from investment and fund management business was recorded in 2007. The segment recorded a loss of approximately HK$111.3 million before taxation.

Financial review

For the year ended 31 December 2008, Hennabun Group recorded a turnover of approximately HK$73.5 million. A waiver of amount due to a related company in which it was owned by an ex-director of Hennabun Group, of approximately HK$62.6 million was recorded in other income during 2008 in accordance with Hong Kong Accounting Standard 18 "Revenue" which was a one-off waiver granted by the related company. However, Hennabun Group incurred net loss of approximately HK$75.5 million during the year which was mainly attributable to a net realised loss on disposal of financial assets amounted to approximately HK$139.3 million.

Capital structure and capital management

As at 31 December 2008, the total equity of Hennabun Group was approximately HK$291.5 million and Hennabun Group aimed to maintain its total equity at a reasonable level.

The objectives of Hennabun Group's equity capital management objective are to safeguard the entity's ability to continue as a going concern in order to provide returns for its shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, Hennabun Group might adjust the amount of dividends paid to the shareholders, return capital to the shareholders, issue new shares or sell assets to reduce debt. No material change was made in the objectives, policies or processes during the year ended 31 December 2008.

Liquidity and financial resources

As at 31 December 2008, Hennabun Group had total assets of approximately HK$468.0 million, total liabilities of approximately HK$176.4 million and net assets of approximately HK$291.5 million. The gearing ratio calculated on the basis of Hennabun Group's total borrowings over total equity was approximately 0.41 as at 31 December 2008.

As at 31 December 2008, Hennabun Group had cash and bank balances and of approximately HK$213.0 million and the current ratio was approximately 2.02.

Bank overdrafts and interest bearing borrowings

As at 31 December 2008, Hennabun Group had secured and unsecured interest-bearing bank overdrafts and interest-bearing borrowings was approximately HK$120.0 million that carried interest ranging from prime rate to prime rate plus 2% per annum.

Capital commitments

As at 31 December 2008, Hennabun Group did not have any capital commitment.

Pledge of assets

As at 31 December 2008, Hennabun Group had pledged bank deposits amounted to approximately HK$3.0 million.

Contingencies

As at 31 December 2008, there was a claim in respect of a bankruptcy order against a margin loan debtor of a wholly-owned subsidiary of Hennabun amounting to approximately HK$13.0 million.

Foreign exchange exposure

Hennabun Group was exposed to foreign currency risk because of investments in subsidiaries operated outside Hong Kong, which were denominated in US dollars and Singapore dollars. Hennabun Group currently did not have any policy to hedge this exposure.

Material acquisitions and disposals

Hennabun Group entered into a disposal of subsidiaries and recorded a profit of approximately HK$5.8 million for the year ended 31 December 2008.

Significant investment

As at 31 December 2008, Hennabun Group has other investment of artworks which represented paintings acquired through public auctions of approximately HK$74.3 million.

Employees and remuneration policies

As at 31 December 2008, Hennabun Group employed 39 full time employees in Hong Kong and Singapore. Hennabun Group's remuneration policies were primarily based on prevailing market salary levels and the performance of the respective companies and individuals concerned. Hennabun Group also provided its employees with other benefits such as a mandatory provident fund and medical insurance scheme. As at 31 December 2008, Hennabun Group did not operate any share option scheme.

Others

During 2007, Hennabun Group entered into an investment project known as "Self-Provided Cargo Train" with a joint-investor, China Railway Investment Group Limited in the People's Republic of China (the "PRC") and invested a sum of HK$55 million ("Cargo Train Project"). After few months of investment, Hennabun Group encountered difficulty with the PRC partners in ascertaining the progress of the Cargo Train Project and the usage of fund invested. Full provision was therefore provided in year 2007 and there was no value as at 31 December 2008.

For the year ended 31 December 2009

Business review

Securities, commodities and future brokerage business

For the year ended 31 December 2009, turnover of approximately HK$82.9 million was solely attributable to the provision of securities, commodities and future brokerage business. This amount was increased by a approximately HK$18.6 million as compared to approximately HK$64.3 million in 2008 as there were more brokerage and securities/futures tradings during 2009 as a result of a continuous improvement of the world economy. The segment recorded a profit of approximately HK$5.2 million before taxation.

Financing and corporate advisory business

For the year ended 31 December 2009, turnover of approximately HK$43.1 million was solely attributable to the provision of financing and corporate advisory business. This amount was increased by approximately HK$36.3 million as compared to approximately HK$6.8 million in 2008 as more loans were financed to clients in 2009 as a result of a continuous improvement of the world economy. The segment recorded a loss of approximately HK$79.6 million before taxation.

Investment and fund management business

For the year ended 31 December 2009, turnover of approximately HK$8.1 million was solely attributable to the provision of investment and fund management business. This amount was increased by approximately HK$5.7 million as compared to approximately HK$2.4 million in 2008 as more fund management activities were entered during 2009 as a result of a continuous improvement of the world economy. The segment recorded a profit of approximately HK$13.8 million before taxation.

Financial review

For the year ended 31 December 2009, Hennabun Group recorded turnover of approximately HK$134.1 million. However, Hennabun Group incurred net loss of approximately HK$59.2 million during the year, mainly attributable to allowance for bad and doubtful debts of approximately HK$127.6 million.

Capital structure and capital management

As at 31 December 2009, the total equity of Hennabun Group was approximately HK$938.3 million and Hennabun Group aimed to maintain its total equity at a reasonable level.

The objectives of Hennabun Group's capital management were to safeguard the entity's ability to continue as a going concern in order to provide returns for its shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, Hennabun Group might adjust the amount of dividends paid to the shareholders, return capital to the shareholders, issue new shares or sell assets to reduce debt. No material change was made in the objectives, policies or processes during the year ended 31 December 2009.

Liquidity and financial resources

As at 31 December 2009, Hennabun Group had total assets of approximately HK$1,578.9 million, total liabilities of approximately HK$640.6 million and net assets of approximately HK$938.3 million. The gearing ratio calculated on the basis of Hennabun Group's total borrowings over total equity was approximately 0.34 as at 31 December 2009.

As at 31 December 2009, Hennabun Group had cash and bank balances of approximately HK$532.4 million and the current ratio was approximately 1.69.

Bank overdrafts and interest bearing borrowings

As at 31 December 2009, the Hennabun Group had interest-bearing borrowings of approximately HK$315.1 million, of which approximately HK$15.1 million was secured bank loan that carried interest at Singapore's Bank Commercial Financing Rate less 1.5% per annum and approximately HK$300.0 million was other unsecured loans that carried interest at prime rate per annum. Bank overdrafts of approximately HK$0.2 million was unsecured and carried interest at prime rate per annum.

Capital commitments

As at 31 December 2009, Hennabun Group did not have any capital commitment.

Pledge of assets

As at 31 December 2009, Hennabun Group had pledged bank deposits together with leasehold land and buildings amounted to approximately HK$30.7 million.

Contingencies

As at 31 December 2009, there was a claim in respect of a bankruptcy order against a margin loan debtor of a wholly-owned subsidiary of Hennabun amounting to approximately HK$13.0 million.

Foreign exchange exposure

Hennabun Group was exposed to foreign currency risk because of investments in subsidiaries operated outside Hong Kong, which were denominated in US dollars and Singapore dollars. Hennabun Group currently did not have any policy to hedge this exposure.

Material acquisitions and disposals

Hennabun Group acquired 100% shareholding of CU Investment Management Limited, a company engaged in research consultancy services and investment management activities, the net consideration was approximately HK$1.9 million during the year ended 31 December 2009. Also, Hennabun Group also acquired 39,904 shares of a fund, PMA Emerging Opportunities Fund Alpha Segregated Portfolio A Shares at a total consideration of approximately HK$308.3 million.

Significant investment

As at 31 December 2009, Hennabun Group has other investment of artworks which represented paintings acquired through public auctions of approximately HK$74.3 million.

Employees and remuneration policies

As at 31 December 2009, Hennabun Group employed 45 full time employees in Hong Kong and Singapore. Hennabun Group's remuneration policies were primarily based on prevailing market salary levels and the performance of the respective companies and individuals concerned. Hennabun Group also provided its employees with other benefits such as a mandatory provident fund and medical insurance scheme. As at 31 December 2009, Hennabun Group did not operate any share option scheme.

Others

In 2007, the Group made a full provision of HK$55 million in respect of the investment in Cargo Train Project and there was no value as at 31 December 2009.

For the fifteen months ended 31 March 2011

Business review

Securities, commodities and future brokerage business

For the period ended 31 March 2011, turnover of approximately HK$143.6 million was solely attributable to the provision of securities, commodities and future brokerage business. This amount was increased by approximately HK$60.7 million as compared to approximately HK$82.9 million in 2009 as there were more underwriting and placing activities during 2011 as a result of active equity market in Hong Kong. The segment recorded a profit of approximately HK$33.0 million before taxation.

Financing and corporate advisory business

For the period ended 31 March 2011, turnover of approximately HK$109.0 million was solely attributable to the provision of financing and corporate advisory business. This amount was increased by approximately HK$65.9 million as compared to approximately HK$43.1 million in 2009 as more loans were financed to clients in 2011 in respect of the increased demands of financing associated with the economic environment in Hong Kong. With more loans financed to clients, the interest income on loans receivable and client accounts and loan arrangement fee income, which was charged at a specific rate of the loan amount at the loan drawdown, was significantly increased during 2011. The segment recorded a profit of approximately HK$144.9 million before taxation.

Investment and fund management business

For the period ended 31 March 2011, turnover of approximately HK$0.2 million was solely attributable to the provision of investment and fund management business. This amount was decreased by approximately HK$7.9 million as compared to approximately HK$8.1 million in 2009 as more resources were devoted in brokerage and financing segments to generate higher returns during 2011. The segment recorded a loss of approximately HK$104.4 million before taxation.

Financial review

For the period ended 31 March 2011, Hennabun Group recorded turnover of approximately HK$252.8 million. Hennabun Group recorded net profit of approximately HK$74.0 million during the period.

As at 31 March 2011, Hennabun Group recorded loans receivable of approximately HK$1,267.0 million which represented loans granted to borrowers to be repayable according to repayment schedules and trade and other receivables of approximately HK$1,071.9 million which represented trade receivables of securities margin loans secured by marketable securities and other receivables of temporary payments paid on behalf of third parties. Both balances increased significantly as compared to that as at 31 December 2009 was as a result of the significant growth in brokerage and securities/future trading and financing activities during 2011 in respect of the active equity market in Hong Kong.

Capital structure and capital management

As at 31 March 2011, the total equity of Hennabun Group was approximately HK$2,394.6 million and Hennabun Group aimed to maintain its total equity at a reasonable level.

The objectives of Hennabun Group's capital management were to safeguard the entity's ability to continue as a going concern in order to provide returns for its shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, Hennabun Group might adjust the amount of dividends paid to the shareholders, return capital to the shareholders, issue new shares or sell assets to reduce debt. No material change was made in the objectives, policies or processes during the period ended 31 March 2011.

Liquidity and financial resources

As at 31 March 2011, Hennabun Group had total assets of approximately HK$3,071.1 million, total liabilities of approximately HK$676.5 million and net assets of approximately HK$2,394.6 million. The gearing ratio calculated on the basis of Hennabun Group's total borrowings over total equity was approximately 0.18 as at 31 March 2011.

As at 31 March 2011, Hennabun Group had cash and bank balances of approximately HK$191.1 million and the current ratio was approximately 3.76.

Bank overdrafts and interest bearing borrowings

As at 31 March 2011, Hennabun Group had interest-bearing borrowings amounted to approximately HK$411.2 million of which approximately HK$16.2 million was secured bank loan that carried interest ranging from Singapore's Bank Commercial Financing Rate less 1.5% to less 0.75% per annum and approximately HK$395.0 million was other unsecured loans that carried interest ranging from prime rate to 12% per annum. Bank overdrafts, carried interest at prime rate per annum, amounted to approximately HK$25.0 million of which approximately HK$15.5 million were secured and approximately HK$9.5 million were unsecured.

Capital commitments

As at 31 March 2011, Hennabun Group had capital commitments in respect of purchase of property, plant and equipment and investment project of approximately HK$35.6 million.

Pledge of assets

As at 31 December 2010, Hennabun Group had pledged bank deposits together with leasehold land and buildings amounted to approximately HK$33.9 million.

Contingencies

As at 31 March 2011, there was a claim in respect of a bankruptcy order against a margin loan debtor of a wholly-owned subsidiary of Hennabun amounting to approximately HK$13.0 million.

Foreign exchange exposure

Hennabun Group was exposed to foreign currency risk because of investments in subsidiaries operated outside Hong Kong, which were denominated in US dollars and Singapore dollars. Hennabun Group currently did not have any policy to hedge this exposure.

Material acquisitions and disposals

Hennabun Group did not enter into any material acquisition and disposal during the period ended 31 March 2011.

Significant investment

As at 31 March 2011, Hennabun Group has other investment of artworks which represented paintings acquired through public auctions of approximately HK$74.3 million.

During 2011, Hennabun Group acquired 19.75% equity interest of Best Purpose Limited ("Best Purpose") whose principal activities are money lending, securities investment and investment holding at a consideration of HK$69 million (the "Acquisition"). However, as at 31 March 2011, Best Purpose had significant net liabilities. With reference to the internal control policies and procedures of Hennabun Group, Hennabun has completed due diligence review of Best Purpose before the Acquisition. Subsequent to the completion of the Acquisition, after careful and due considerations, the directors of Hennabun assessed the future economic benefits and profit potentials of Best Purpose as at 31 March 2011 and determined that the recoverable amount of this investment would be minimal. Full provision was therefore made for this investment.

Employees and remuneration policies

As at 31 March 2011, Hennabun Group employed 63 full time employees in Hong Kong and Singapore. Hennabun Group's remuneration policies were primarily based on prevailing market salary levels and the performance of the respective companies and individuals concerned. The Hennabun Group also provided its employees with other benefits such as a mandatory provident fund and medical insurance scheme. As at 31 March 2011, the Hennabun Group did not operate any share option scheme.

Others

In 2007, the Group made a full provision of HK$55 million in respect of the investment in Cargo Train Project and there was no value as at 31 March 2011.

1. AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP

The Company is required to set out in this circular the information for the last three financial years with respect to the profits and losses, financial record and position, set out as a comparative table and the latest published audited statement of financial position together with the notes on the annual accounts for the last financial year for the Group.

The audited consolidated financial statements of the Group for the year ended 31 March 2011 has been set out in the Annual Report 2011 of the Company which was posted on 28 July 2011 on the Stock Exchange's website (http://www.hkexnews.hk). Please also see below quick link to the Annual Report 2011:

http://www.hkexnews.hk/listedco/listconews/sehk/20110728/LTN20110728265.pdf

The audited consolidated financial statements of the Group for the year ended 31 March 2010 has been set out in the Annual Report 2010 of the Company which was posted on 29 July 2010 on the Stock Exchange's website (http://www.hkexnews.hk). Please also see below quick link to the Annual Report 2010:

http://www.hkexnews.hk/listedco/listconews/sehk/20100729/LTN20100729490.pdf

The audited consolidated financial statements of the Group for the year ended 31 March 2009 has been set out in the Annual Report 2009 of the Company which was posted on 30 July 2009 on the Stock Exchange's website (http://www.hkexnews.hk). Please also see below quick link to the Annual Report 2009:

http://www.hkexnews.hk/listedco/listconews/sehk/20090730/LTN20090730435.pdf

The audited consolidated financial statements of the Group for the year ended 31 March 2008 has also been set out in the comparative column of the Annual Report 2009 of the Company. Please refer to quick link to the Annual Report 2009 as above for more details.

2. UNAUDITED INTERIM FINANCIAL INFORMATION OF THE GROUP

The unaudited interim consolidated financial statements of the Group for the six months ended 30 September 2010 has been set out in the Interim Report 2010 of the Company posted on 3 December 2010 on the Stock Exchange's website (http://www.hkexnews.hk). Please also see below quick link to the Interim Report 2010:

http://www.hkexnews.hk/listedco/listconews/sehk/20101203/LTN20101203788.pdf

3. INDEBTEDNESS

Statement of Indebtedness

Borrowings

As at 30 June 2011, 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$342.3 million.

The following table illustrates the Group's indebtedness as at 30 June 2011:

	HK$'000
Current	
Margin loans, secured	142,280
Non-Current	
Other loan, unsecured	200,000
Total borrowings	342,280

As at the close of business on 30 June 2011, the Group's margin loans were secured by certain investments at fair value through profit or loss held by the Group of approximately HK$640.4 million.

Contingent liabilities

As at the close of business on 30 June 2011, the Group has given guarantees in favour of banks in respect of certain mortgages with a total outstanding loan amount of approximately HK$68.4 million. The mortgages relate to 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 30 June 2011.

The Directors are not aware of any material adverse changes in the Group's indebtedness position and contingent liabilities since 30 June 2011.

4. WORKING CAPITAL

The Directors, after due and careful enquiry, are of the opinion that in the absence of unforeseeable circumstances, taking into account the internal financial resources available to the Group, the Subscription and the Possible Conversion, 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

Up to and including the Latest Practicable Date, the Directors confirm that there is no 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 financial statements of the Group were made up.

6. FINANCIAL AND TRADING PROSPECTS

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

For the year ended 31 March 2011, the Group's turnover decreased by approximately 47% to HK$89.6 million compared to HK$169.6 million in 2010. In year 2011, the financial market was still volatile and thus the performance of the Group has been weakened. The Group is continuously monitoring the daily operation with an aim at cost saving.

The Company remains optimistic and confident about the prospects of the financial markets. The Company is open to other investment targets in the financial services sector and will continue to indentify possible investment opportunities (such as expanding into the fund management business). In addition, the Group will continue to force on its principal activities and strengthen its financial position.

A. INTRODUCTION TO THE UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE GROUP

The accompanying unaudited pro forma financial information of the Company and its subsidiaries (the "Group") has been prepared by the directors to illustrate the effects might have on the financial position of the Group, assuming the completion of (i) the subscription of a redeemable convertible note in principal amount of HK$250,000,000 (the "Hennabun CN") to be issued by Hennabun Capital Group Limited ("Hennabun"), an associate of the Group (the "Subscription"); and (ii) exercise of the conversion right attaching to the Hennabun CN by the Company and fully convert it into new ordinary shares of Hennabun based on the terms of Hennabun CN immediately on the even date (the "Possible Conversion").

The unaudited pro forma consolidated statement of financial position of the Group is prepared based on the audited consolidated statement of financial position of the Group as at 31 March 2011, after giving effect to the pro forma adjustments as explained in Part C of this appendix below, for the purpose of illustrating the effects of the Subscription and the Possible Conversion on the financial position of the Group as if the Subscription and the Possible Conversion had been completed on 31 March 2011.

The unaudited pro forma financial information of the Group has been prepared for illustrative purposes only and because of their hypothetical nature, it may not give a true picture of the financial position of the Group had the Subscription and the Possible Conversion been completed as at 31 March 2011 or at any future date.

B. UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE GROUP

1. Unaudited pro forma consolidated statement of financial position

	Consolidated financial position of the Group as at 31 March 2011	Pro forma adjustment	Unaudited pro forma of the Group	Pro forma adjustment	Unaudited pro forma of the Group
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	Note 1	*Note 2*		*Note 3*	
NON-CURRENT ASSETS					
Property, plant and equipment	33,908		33,908		33,908
Investment properties	140,854		140,854		140,854
Investment in an associate	779,489		779,489	273,044	1,052,533
Available-for-sale investments	425,729		425,729		425,729
Loans receivable	2,000		2,000		2,000
Deposit paid for acquisition of an associate	20,000		20,000		20,000
Total non-current assets	1,401,980		1,401,980		1,675,024
CURRENT ASSETS					
Convertible note receivable	–	211,381	211,381	(211,381)	–
Loans receivable	28,125		28,125		28,125
Prepayments, deposits and other receivables	5,254		5,254		5,254
Investments at fair value through profit or loss	1,033,901		1,033,901		1,033,901
Derivative financial asset	–	38,619	38,619	(38,619)	–
Cash and bank balances	382,624	(250,000)	132,624		132,624
Total current assets	1,449,904		1,449,904		1,199,904

	Consolidated financial position of the Group as at 31 March 2011	Pro forma adjustment	Unaudited pro forma of the Group	Pro forma adjustment	Unaudited pro forma of the Group
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	Note 1	*Note 2*		*Note 3*	
CURRENT LIABILITIES					
Other payables and accruals	6,938		6,938		6,938
Interest-bearing bank and other borrowings	135,121		135,121		135,121
Tax payable	2,478		2,478		2,478
Total current liabilities	144,537		144,537		144,537
NET CURRENT ASSETS	1,305,367		1,305,367		1,055,367
TOTAL ASSETS LESS CURRENT LIABILITIES	2,707,347		2,707,347		2,730,391
NON-CURRENT LIABILITIES					
Interest-bearing bank and other borrowings	200,000		200,000		200,000
Deferred tax liabilities	5,523		5,523		5,523
Total non-current liabilities	205,523		205,523		205,523
Net assets	2,501,824		2,501,824		2,524,868
EQUITY					
Equity attributable to owners of the Company					
Issued capital	471,370		471,370		471,370
Reserves	2,030,454		2,030,454	23,044	2,053,498
	2,501,824		2,501,824		2,524,868

2. Notes to the unaudited pro forma financial information of the Group

(1) The consolidated financial position of the Group as at 31 March 2011 are extracted from the audited consolidated financial statements of the Group for the year ended 31 March 2011.

(2) The pro forma adjustment represents the initial recognition of Hennabun CN, comprising debt element and derivative instrument, at the subscription date as if the Subscription had been completed on 31 March 2011.

The estimated fair values have been arrived at on the basis of valuation carried out as at 31 March 2011 by Asset Appraisal Limited, an independent qualified professional valuer as if the Subscription had been completed on 31 March 2011. The estimated fair values of the debt element and derivative instrument of Hennabun CN are as follows:

	HK$'000
Debt element	211,381
Derivative instrument	38,619
	250,000

The consideration of the Subscription would be satisfied upon completion through setting off an outstanding loan of HK$250,000,000 advanced by the Group to Hennabun in April 2011 (the "Outstanding Loan"). Had the Subscription been completed on 31 March 2011 prior to the advance of Outstanding Loan, the corresponding cash outflow would also be HK$250,000,000.

(3) The pro forma adjustment reflects the effects on the financial position of the Group and the estimated gain on bargain purchase of the additional interest in net asset value of Hennabun upon the Possible Conversion. Had the Possible Conversion taken place on 31 March 2011, the number of ordinary shares of Hennabun held by the Group would increase from 112,759,460 to 154,426,127, representing a corresponding increase in the Group's shareholding in Hennabun from 31.92% to 39.10%.

The estimated gain on bargain purchase of the Possible Conversion is arrived as follows:

	HK$'000
The Group's share in net assets of Hennabun after the Possible Conversion, at 39.10%[b]	1,052,533
Less: The Group's share in net assets of Hennabun before the Possible Conversion, at 31.92%[a]	(779,489)
	273,044
Estimated gain on bargain purchase of additional interest in net asset value of Hennabun	(23,044)
	250,000
Satisfied by Hennabun CN, comprising:	
Debt element	211,381
Derivative instrument[c]	38,619
	250,000

a The balance represents the share of 31.92% in the carrying net asset value of Hennabun of HK$2,442 million as at 31 March 2011 which is extracted from the Group's audited consolidated financial statements for the year ended 31 March 2011.

b The balance represents the share of 39.10% in the net asset value of Hennabun as enlarged by the Possible Conversion, which would amount to HK$2,692 million, comprising of (i) the carrying net asset value of Hennabun of HK$2,442 million as at 31 March 2011 (extracted from the Group's audited consolidated financial statements for the year ended 31 March 2011); and (ii) the Possible Conversion of Hennabun CN of HK$250 million.

c The balance represents the fair value of the derivative instrument as if Hennabun CN converted on 31 March 2011. The fair value of the derivative instrument would be different as its actual conversion date or at any time.

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.

C. ACCOUNTANTS' REPORT ON THE UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE GROUP

ERNST & YOUNG
安 永

31 August 2011

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 2 to 5 in Appendix III to the circular of the Company dated 31 August 2011 (the "Circular"), which has been prepared by the directors of the Company, for illustrative purposes only, to provide information about how the proposed subscription of a redeemable convertible note in the principal amount of HK$250,000,000 to be issued by Hennabun Capital Group Limited, an associate of the Group, under the Subscription Agreement (as defined in the Circular) (the "Subscription") and the potential conversion in full of this convertible note (the "Possible Conversion") might have affected the relevant financial information presented in respect of the Group immediately after the completion of the Subscription and the Possible Conversion. The basis of preparation of the unaudited pro forma financial information is set out on page 1 in Appendix III 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 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 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 31 March 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

(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 enquires, 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. DISCLOSURE OF INTERESTS

(a) The Directors' or chief executive's interests or short positions in the shares, underlying shares and debentures of the Company and its associated corporations

Based on the register kept by the Company, as the Latest Practicable Date, the interests or short positions of each Director or chief executive of the Company in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), which were required to be notified to the Company and the Stock Exchange pursuant to the provisions of 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 which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as contained in the Listing Rules, were as follows:

Long Positions and Short Positions in Shares and Underlying Shares of the Company

Name of Directors	Capacity	Number of shares/ underlying shares held	Percentage of the issued share capital
Mr. Andrew Liu	Beneficial owner	883,453,634	18.74%
Dr. Yang Fan Shing, Andrew	Beneficial owner	40,000	0.00%
Dr. Yang Fan Shing, Andrew	Interest of spouse	26,000	0.00%
Ms. Au Shuk Yee, Sue	Beneficial owner	1,229,000	0.03%

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 or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), which were required to be notified to the Company and the Stock Exchange pursuant to the provisions of 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 which were required, pursuant to Section 352 of the SFO to be entered in the register referred to therein, or which were required, to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as contained in the Listing Rules.

(b) Substantial Shareholders' interests or short positions in the Shares and Underlying Shares

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 any interest or short position 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 which were recorded in the register required to be kept by the Company under Section 336 of the SFO as having an interest in 5% or more of the issued share capital of the Company.

Name of substantial shareholders	Capacity	Number of shares/ underlying shares held	Percentage of the issued share capital
Penta Investment Advisers Limited *(Note 1)*	Investment Manager	500,000,000	10.61%
Penta Master Fund, Limited	Beneficial Owner	296,205,000	6.28%
PMA Capital Management Limited *(Note 2)*	Investment Manager	399,650,000	8.48%
PMA Emerging Opportunities Fund SPC	Beneficial Owner	327,710,000	6.95%
Chong Tin Lung Benny *(Note 3)*	Interest of controlled corporation	250,000,000	5.30%
Mak Siu Hang Viola *(Note 4)*	Interest of controlled corporation	250,000,000	5.30%

Note 1: These shares are held through Penta Management (BVI) Ltd., Penta Asia Domestic Partners, L.P. and Old Peak Ltd., all of which are wholly owned by Penta Investment Advisers Limited.

Note 2: 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 3: These shares are held by VMS Capital Limited, a company wholly owned by Chong Tin Lung Benny.

Note 4: These shares are held by VMS Investment Group Limited, a company wholly owned by Mak Siu Hang Viola.

Save as disclosed above, the Directors were not aware of any other relevant interest or short positions of 5% or more in the issued share capital of the Company as at the Latest Practicable Date.

3. SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had any existing or proposed service contract with any member of the Group which is not determinable by the Group within one year without payment of compensation, other than statutory compensation.

4. DIRECTORS' INTERESTS IN CONTRACTS AND ASSETS

As at the Latest Practicable Date, none of the Directors had any direct or indirect interest in any asset which had been, since 31 March 2011, being the date to which the latest published audited accounts of the Company were made up, acquired or disposed of, by or leased to any member of the Company or are proposed to be acquired or disposed of, by or leased to any member of the Company.

As at the Latest Practicable Date, there was no contract or arrangement subsisting in which any Director was materially interested and which was significant in relation to the business of the Company.

5. MATERIAL CONTRACTS

As at the Latest Practicable Date, the following contracts, not being contracts entered into in the ordinary course of business, were entered into by the members of the Group within the two years immediately preceding the Latest Practicable Date which are, or may be, material:

(a) The supplemental agreement dated 27 July 2011 between the Company and Hennabun as supplemented to the Subscription Agreement;

(b) 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 subscription of shares in Freeman Securities Limited (formerly known as Dynasty Securities Limited), the total consideration was HK$30 million;

(c) The Subscription Agreement, the total consideration being HK$250 million;

(d) 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;

(e) 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;

(f) The subscription agreement dated 8 March 2011 between Dynasty Securities Limited and Freeman United, in relation to the subscription of shares in Dynasty Securities Limited, the total consideration was HK$20 million;

(g) 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;

(h) 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 beneficial interests in the Sales Shares, the total consideration was approximately HK$502.54 million;

(i) The subscription agreement dated 1 November 2010 between Hennabun and Ideal Principles Limited, in relation to the subscription of Hennabun's shares by Ideal Principles Limited, the total consideration was HK$200 million;

(j) 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;

(k) 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;

(l) 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 placees, the gross proceeds was approximately HK$38.06 million;

(m) 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;

(n) 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;

(o) 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;

(p) 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 few than six places, the gross proceeds was approximately HK$38.14 million;

(q) The placing agreement dated 22 January 2010 entered into between Get Nice Securities Limited, the placing agent, and the Company in relation to the placing of 46,892,699 new shares at the placing price of HK$0.55 per share to not fewer than six placees, the gross proceeds was approximately HK$25.79 million;

(r) The conditional placing agreement dated 25 November 2009 entered into between the Company and Chung Nam Securities Limited in respect of the placing of 100 million new shares at HK$0.48 per placing share, the gross proceeds was approximately HK$48 million; and

(s) The placing agreement dated 19 October 2009 entered into between Get Nice Securities Limited, the placing agent, and the Company in relation to the placing of 39,000,000 new shares at the placing price of HK$0.60 per share to not fewer than six placees, the gross proceeds was approximately HK$23.40 million.

6. LITIGATION AND POSSIBLE LEGAL ACTION

As at the Latest Practicable Date, no member of the Group is engaged in any litigation or claim of material importance and, so far as the Directors are aware, no litigation or claim of material importance is pending or threatened by or against any member of the Group.

7. COMPETING BUSINESS

As at the Latest Practicable Date, none of the Directors or any of their respective associates had any interest in any business which competes or likely to compete, either directly or indirectly, with the business of the Group.

8. EXPERT AND CONSENT

The following is the qualification of the experts who have given opinions or advices which are contained or referred to in this circular:

Name	**Qualification**
Hopkins CPA Limited	Certified Public Accountants
Ernst & Young	Certified Public Accountants
Asset Appraisal Limited	Independent professional valuer

As at the Latest Practicable Date, the above experts did not have beneficial interest in the share capital of any member of the Group nor any right, whether legally enforceable or not, to subscribe for or to nominate persons to subscribe for securities in any member of the Group nor any interest, either directly or indirectly, in any assets which have been, since 31 March 2011 (being the date to which the latest published audited consolidated financial statements of the Group were made up) acquired or disposed of by or leased to or are proposed to be acquired or disposed of by or leased to any member of the Group.

The above experts have given and have not withdrawn their written letter of consent to the issue of this circular with the inclusion herein of the letter or report or references to their names in the form and context in which they appear.

9. MISCELLANEOUS

(a) The registered office of the Company is located at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands.

(b) The head office and principal place of business of the Company in Hong Kong is located at Room 2302, 23rd Floor, China United Centre, 28 Marble Road, North Point, Hong Kong.

(c) The secretary of the Company is Ms. Chow Mun Yee, who is a fellow member of the Hong Kong Institute of Certified Public Accountants and is a fellow member of Association of Chartered Certified Accountants.

(d) The Company's branch registrar and transfer office in Hong Kong is Tricor Secretaries Limited, which is located at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong.

(e) In the event of inconsistency, the English text of this circular shall prevail over the Chinese text.

10. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection 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 during normal business hours on any Business Day from the date of this circular up to and including the date of the EGM:

(i) the memorandum and articles of association of the Company;

(ii) each of the material contracts as set out under the paragraph headed "Material contracts" in this appendix;

(iii) the annual reports of the Company for the two years ended 31 March 2011;

(iv) the interim report of the Company for the six months ended 30 September 2010;

(v) the accountant's report of Hennabun Group prepared by Hopkins CPA Limited, the text of which is set out in Appendix I to this circular;

(vi) the letter from Ernst & Young regarding the unaudited pro forma financial information of the Group, the text of which is set out in Appendix III to this circular;

(vii) the written consents from Hopkins CPA Limited, Ernst & Young and Asset Appraisal Limited as referred to in the paragraph headed "Expert and consent" in this appendix; and

(viii) a copy of each circular issued pursuant to the requirements set out in Chapter 14 and/or 14A of the Listing Rules which has been issued since 31 March 2011, being the date to which the latest published audited consolidated financial statements of the Company were made up, namely:

(a) this circular; and

(b) circular dated 25 June 2011 in respect of major and connected transaction in relation to the disposal of 23.43% beneficial interest in Liu's Holdings Limited.

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 OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that the 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 on Monday, 19 September 2011 at 9:00 a.m. for the purpose of considering and, if thought fit, passing with or without amendments, the following resolution as an ordinary resolution of the Company:

ORDINARY RESOLUTION

"THAT:

a) the conditional subscription agreement dated 17 May 2011 (the "Subscription Agreement") entered into between the Company as the subscriber and Hennabun Capital Group Limited ("Hennabun") as the issuer, a copy of which has been produced to the meeting marked "A" and initialed by the chairman of the meeting for the purpose of identification, pursuant to which the Company agreed to subscribe or procure the subscription by its nominee(s) of the Convertible Note of Hennabun at the Subscription Price in the principal amount of HK$250 million (the "Convertible Note") upon the terms and subject to the conditions therein contained, be and is hereby approved, confirmed and ratified and that the subscription of the Convertible Note by the Company upon the terms and subject to the conditions contained in the Subscription Agreement be and is hereby approved, and that the potential exercise of the conversion rights under the Convertible Note be and is hereby approved, and that the directors of the Company be and are hereby authorised to do such acts and execute such other documents as they may consider necessary, desirable or expedient to carry out or give effect to or otherwise in connection with the Subscription Agreement and the potential exercise of the conversion rights under the Convertible Note."

By Order of the Board of
FREEMAN FINANCIAL CORPORATION LIMITED
Chow Mun Yee
Executive Director

Hong Kong, 31 August 2011

Registered Office:
Cricket Square, Hutchins Drive
P.O. Box 2681
Grand Cayman
KY1-1111
Cayman Islands

Principal Place of Business in Hong Kong:
Room 2302, 23rd Floor
China United Centre
28 Marble Road
North Point, Hong Kong

Notes:

1. The instrument appointing a proxy shall 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 seal or under the hand of an officer or attorney duly authorised.

2. Any member of the Company entitled to attend and vote at the meeting of the Company shall be entitled to appoint another person as his proxy to attend and vote instead of him. 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 more than one proxy to attend on the same occasion.

3. 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 that power or authority shall be deposited at the Company's share registrar in Hong Kong, Tricor Secretaries Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Hong Kong not less than 48 hours before the time for holding the meeting or the adjourned meeting or poll (as the case may be) at which the person named in such instrument proposes to vote, and in default the instrument of proxy shall not be treated as valid.

4. 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 the meeting personally or by proxy, that one of the said persons so present whose name stands first on the register of members in respect of such share shall alone be entitled to vote in respect thereof.

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

Executive Directors:
Dr. Yang Fan Shing, Andrew *(Chairman)*
Mr. Lo Kan Sun *(Managing Director)*
Mr. Hui Quincy Kwong Hei *(Managing Director)*
Ms. Au Shuk Yee, Sue
Mr. Scott Allen Phillips
Ms. Chow Mun Yee

Non-executive Directors:
Mr. Andrew Liu
Mr. Liu Kam Fai, Winston

Independent Non-executive Directors:
Mr. Yau Chung Hong
Mr. Gary Drew Douglas
Mr. Peter Temple Whitelam
Dr. Agustin V. Que