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## THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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

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

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

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## FREEMAN FINANCIAL CORPORATION LIMITED

民豐企業控股有限公司

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 279)

- (1) PROPOSED CAPITAL REORGANISATION;
  - (2) PROPOSED CHANGE IN BOARD LOT SIZE;
  - (3) PROPOSED RIGHTS ISSUE ON THE BASIS OF TWO RIGHTS SHARES FOR EVERY ADJUSTED SHARE HELD ON THE RECORD DATE;
  - (4) RE-ELECTION OF A DIRECTOR;
- AND
- (5) NOTICE OF EXTRAORDINARY GENERAL MEETING

Underwriter of the Rights Issue  
CHUNG NAM SECURITIES LIMITED

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

VINCO 城高

Grand Vinco Capital Limited

(A wholly-owned subsidiary of Vinco Financial Group Limited)

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It should be noted that the Adjusted Shares will be dealt in on an ex-rights basis from 11 June 2013. Dealings in the Rights Shares in the nil-paid form will take place from 24 June 2013 to 2 July 2013 (both dates inclusive). If the conditions of the Rights Issue are not fulfilled or the Underwriting Agreement is terminated by the Underwriter, the Rights Issue will not proceed. Any dealing in the nil-paid Rights Shares during the period from 24 June 2013 to 2 July 2013 (both dates inclusive) will accordingly bear the risk that the Rights Issue may not become unconditional or may not proceed.

A letter of advice from Vinco Capital, the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders, is set out on pages 34 to 56 of this circular and a letter of recommendation from the Independent Board Committee to the Independent Shareholders is set out on page 33 of this circular.

A notice convening an extraordinary general meeting of the Company to be held at 30th Floor, China United Centre, 28 Marble Road, North Point, Hong Kong at 4:00 p.m. on Monday, 18 February 2013 is set out on pages 82 to 85 of this circular. Whether or not you are able to attend the meeting in person, you are requested to complete and return the accompanying form of proxy in accordance with the instructions printed thereon and return it to the share registrar of the Company in Hong Kong, **Tricor Secretaries Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong**, as soon as possible and in any event not later than 48 hours before the time appointed for holding the meeting or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the meeting or any adjournment thereof should you so wish.

It should be noted that the Underwriting Agreement in respect of the Rights Issue contains provisions entitling the Underwriter by notice in writing to the Company at any time prior to 4:00 p.m. on the Latest Termination Date to terminate the obligations of the Underwriter thereunder on the occurrence of certain events including force majeure. These events are set out under the section headed "Termination of the Underwriting Agreement" on pages 19 to 20 of this circular. If the Underwriter terminates the Underwriting Agreement in accordance with the terms thereof, the Rights Issue will not proceed. In addition, the Rights Issue is conditional on all conditions set out on page 18 of this circular being fulfilled. If such conditions have not been satisfied in accordance with the Underwriting Agreement on or before the time and dates specified therein, all liabilities of the parties to the Underwriting Agreement shall cease and determine and no party shall have any claim against the other parties save for any antecedent breach of the Underwriting Agreement and the Rights Issue will not proceed.

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## EXPECTED TIMETABLE

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*The expected timetable for the proposed Capital Reorganisation, the proposed Change in Board Lot Size and the proposed Rights Issue is set out below:*

Latest time for lodging of proxy form of the EGM  
(not less than 48 hours prior to the time of the EGM) . . . . . 4:00 p.m., Saturday, 16 February 2013

Expected date and time of the EGM . . . . . 4:00 p.m., Monday, 18 February 2013

Announcement of results of the EGM . . . . . Monday, 18 February 2013

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

Announcement of expected effective date  
of the Capital Reorganisation . . . . . On or before Friday, 24 May 2013

Proposed effective date of the Capital Reorganisation. . . . . After 4:00 p.m., Friday, 24 May 2013

First day of free exchange of existing share certificates  
for new share certificates for the Adjusted Shares . . . . . Monday, 27 May 2013

Dealings in Adjusted Shares commence . . . . . 9:00 a.m., Monday, 27 May 2013

Original counter for trading in Shares  
(in board lots of 20,000 Shares) temporarily closes. . . . . 9:00 a.m., Monday, 27 May 2013

Temporary counter for trading in Adjusted Shares  
in board lots of 2,000 Adjusted Shares  
(in form of existing share certificates) to be opened . . . . . 9:00 a.m., Monday, 27 May 2013

Original counter for trading in Adjusted Shares  
in board lots of 4,000 Adjusted Shares  
(in the form of new share certificates) to be re-opened . . . . . 9:00 a.m., Monday, 10 June 2013

Parallel trading in Adjusted Shares  
(in form of new and existing certificate) begins. . . . . 9:00 a.m., Monday, 10 June 2013

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## EXPECTED TIMETABLE

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Designated broker starts to stand in the market to provide matching services for the sale and purchase of odd lots of Adjusted Shares . . . . .	Monday, 10 June 2013
Last day of dealings in the Adjusted Shares on cum-rights basis . . . . .	Monday, 10 June 2013
Ex-date (the first day of dealings in the Adjusted Shares on ex-rights basis) . . . . .	Tuesday, 11 June 2013
Latest time for lodging transfers of Adjusted Shares in order to qualify for the Rights Issue . . . . .	4:30 p.m., Thursday, 13 June 2013
Register of members to be closed (both days inclusive) . . . . .	Friday, 14 June 2013 to Wednesday, 19 June 2013 (both dates inclusive)
Record Date . . . . .	Wednesday, 19 June 2013
Register of members to be re-opened . . . . .	Thursday, 20 June 2013
Prospectus Documents to be posted . . . . .	Thursday, 20 June 2013
First day of dealings in nil-paid Rights Shares . . . . .	Monday, 24 June 2013
Latest time for splitting of nil-paid Rights Shares . . . . .	4:30 p.m., Wednesday, 26 June 2013
Temporary counter for trading in Adjusted Shares in board lots of 2,000 Adjusted Shares (in form of existing share certificates) to be closed . . . . .	4:00 p.m., Tuesday, 2 July 2013
Parallel trading in Adjusted Shares (in form of new and existing certificate) closes . . . . .	4:00 p.m., Tuesday, 2 July 2013
Designated broker ceases to stand in the market to provide matching services for odd lots of Adjusted Shares . . . . .	4:00 p.m., Tuesday, 2 July 2013
Last day of dealings in nil-paid Rights Shares . . . . .	Tuesday, 2 July 2013
Last day of free exchange of existing share certificates for new share certificates . . . . .	Thursday, 4 July 2013
Latest time for acceptance of and payment for Rights Shares and application for excess Rights Shares . . . . .	4:00 p.m., Friday, 5 July 2013

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## EXPECTED TIMETABLE

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Rights Issue expected to be unconditional. . . . .	Tuesday, 9 July 2013
Announcement of allotment results . . . . .	Thursday, 11 July 2013
Despatch of certificates for fully-paid Rights Shares and refund cheques . . . . .	Friday, 12 July 2013
Expected first date of dealing in fully paid Rights Shares. . . . .	9:00 a.m., Monday, 15 July 2013

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

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

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

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

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

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## DEFINITIONS

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

“Acceptance Date”	5 July 2013 or such other date as the Underwriter may agree in writing with the Company, as the latest date for acceptance of, and payment for, the Rights Shares and application and payment for excess Rights Shares
“Adjustment Proposal”	the proposed reduction of the nominal value of each issued Consolidated Share from par value of HK\$0.50 to par value of HK\$0.01 by canceling the paid-up capital to the extent of HK\$0.49 on each issued Consolidated Share and application of the credit arising from such capital reduction to set-off the accumulated deficit of the Company with the balance (if any) to be transferred to a distributable reserve called distributable capital reduction reserve account or other reserve account of the Company
“Adjusted Share(s)”	ordinary share(s) of HK\$0.01 each in the issued and unissued share capital of the Company upon the Capital Reorganisation becoming effective
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Article(s)”	the article(s) of association of the Company
“Board”	the board of Directors
“Business Day”	a day on which banks in Hong Kong are generally open for business (other than a Saturday or Sunday and any day on which a tropical cyclone warning No. 8 or above is hoisted or remains hoisted between 9:00 a.m. and 12:00 noon and is not lowered at or before 12:00 noon or on which a “black” rainstorm warning signal is hoisted or remains in effect between 9:00 a.m. and 12:00 noon and is not discontinued at or before 12:00 noon)
“Capital Reorganisation”	the proposed reorganisation of the share capital of the Company by way of (i) the Share Consolidation; (ii) the Adjustment Proposal; and (iii) the Share Subdivision as referred in the Company’s announcement dated 4 December 2012

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## DEFINITIONS

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“Change in Board Lot Size”	the proposed change in board lot size of the Shares for trading on the Stock Exchange from 20,000 Shares to 4,000 Adjusted Shares as referred to in the Company’s announcement dated 4 December 2012
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“Companies Law”	The Companies Law, Cap. 22 (Laws of 1961, as consolidated and revised) of the Cayman Islands
“Companies Ordinance”	the Companies Ordinance (Chapter 32 of the Laws of Hong Kong)
“Company”	Freeman Financial Corporation Limited (Stock Code: 279), a company incorporated in the Cayman Islands with limited liability and the Shares of which are listed on the main board of the Stock Exchange
“Consolidated Share(s)”	issued share(s) of par value of HK\$0.50 each in the share capital of the Company immediately following the Share Consolidation and prior to the Adjustment Proposal
“Court”	the Grand Court of the Cayman Islands
“Director(s)”	director(s) of the Company from time to time
“EAF(s)”	the form(s) of application for excess Rights Shares, being in such usual form as maybe agreed between the Company and the Underwriter
“EGM”	an extraordinary general meeting of the Company to be convened for the Shareholders to, amongst other things, consider and, if thought fit, approve the special resolution in respect of the Capital Reorganisation and the ordinary resolutions in respect of the Rights Issue and the re-election of a Director
“Facilitation Share Repurchase”	the share repurchase and cancellation of two Shares prior to the date of EGM and in compliance with Rule 10.06(2)(e) of the Listing Rules in order to facilitate the Share Consolidation

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## DEFINITIONS

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“General Mandate”	the general mandate granted to the Directors to allot and issue Shares up to a maximum of 20% of the aggregate amount of the share capital of the Company in issue as at the date of the annual general meeting of the Company held on 31 August 2012
“Group”	the Company and its Subsidiaries
“HKSCC”	Hong Kong Securities Clearing Company Limited
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“HK\$”	Hong Kong dollar, the Lawful currency of Hong Kong
“Independent Board Committee”	a committee of the Board comprising two Independent Non-executive Directors formed for the purposes of advising the Independent Shareholders in relation to the Rights Issue
“Independent Third Party (Parties)”	third party (parties) independent of the Company and its connected persons (as defined under the Listing Rules)
“Independent Shareholders”	any Shareholder other than controlling Shareholders and their associates or, where there are no controlling Shareholders, any Shareholder other than Directors (excluding Independent Non-executive Directors) and the chief executive of the Company and their respective associates
“Last Trading Day”	4 December 2012, being the date of the Underwriting Agreement
“Latest Practicable Date”	14 January 2013, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contained herein
“Latest Termination Date”	the second Business Day following the Acceptance Date or such other date as the Underwriter may agree in writing with the Company
“Listing Committee”	has the meaning ascribed to it under the Listing Rules
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange



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## DEFINITIONS

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“Memorandum”	the memorandum of association of the Company
“Non-Qualifying Shareholders”	those Overseas Shareholders whom the Directors, based on opinions provided by the Company’s legal advisers, consider it necessary or expedient not to offer the Rights Shares to such Shareholders on account either of legal restrictions under the laws of the relevant place or the requirements of the relevant regulatory body or stock exchange in that place
“Option(s)”	the share option(s) that the Director may grant under the share option scheme of the Company adopted on 31 August 2012
“Overseas Shareholder(s)”	Shareholder(s) whose name(s) appear(s) on the register of members of the Company at the close of business on the Record Date and whose address(es) as shown on such register is (are) outside Hong Kong
“PAL(s)”	the renounceable provisional allotment letter(s) proposed to be issued to the Qualifying Shareholders in connection with the Rights Issue, being in such usual form as may be agreed between the Company and the Underwriter
“Posting Date”	20 June 2013 or such other date as the Underwriter may agree in writing with the Company, as the expected date of despatch of the Prospectus Documents to the Qualifying Shareholders or the Prospectus to the Non-Qualifying Shareholders for information only (as the case may be)
“Prospectus”	the prospectus to be despatched to the Shareholders containing details of the Rights Issue
“Prospectus Documents”	the Prospectus, the PAL and the EAF
“Qualifying Shareholders”	Shareholders, other than the Non-Qualifying Shareholders
“Record Date”	19 June 2013 or such other date as the Underwriter may agree in writing with the Company, as the date by reference to which entitlements to the Rights Issue are expected to be determined
“Registrar”	the share registrar of the Company in Hong Kong, being Tricor Secretaries Limited at 26th Floor, Tesbury Centre, 28 Queen’s Road East, Wanchai, Hong Kong

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## DEFINITIONS

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“Rights Issue”	the proposed issue by way of rights on the basis of two Rights Shares for every Adjusted Share in issue and held on the Record Date at the Subscription Price on the terms and subject to the conditions set out in the Underwriting Agreement and the Prospectus Documents
“Rights Shares”	new Adjusted Shares to be issued and allotted under the Rights Issue, being not less than 147,067,484 Adjusted Shares and not more than 191,187,728 Adjusted Shares
“Scheme Mandate”	the mandate granted to the Directors to allot and issue under the share option scheme adopted by the Company on 31 August 2012 up to a maximum of 10% of the aggregate share capital of the Company in issue as at the date of the annual general meeting of the Company held on 31 August 2012
“SFO”	The Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	existing ordinary share(s) of par value of HK\$0.05 each in the issued and unissued capital of the Company prior to the Capital Reorganisation
“Shareholder(s)”	registered holder(s) of the Shares or Adjusted Shares (as the case may be) of the Company
“Share Consolidation”	the proposed consolidation of every ten (10) issued Shares of par value of HK\$0.05 each into one (1) Consolidated Share of par value of HK\$0.50 each
“Share Subdivision”	the proposed subdivision of each authorised but unissued Share of par value of HK\$0.05 each into five (5) Adjusted Shares of par value of HK\$0.01 each
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiaries”	with the meaning ascribed thereto in the Listing Rules and the Companies Ordinance
“Subscription Price”	HK\$0.85 per Rights Share

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## DEFINITIONS

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“Underwriter”	Chung Nam Securities Limited, a corporation licensed to carry out business in type 1 (dealing in securities) regulated activity under the SFO, being the underwriter of the Rights Issue
“Underwriting Agreement”	the underwriting agreement dated 4 December 2012 entered into between the Company and the Underwriter in relation to the underwriting arrangement in respect of the Rights Issue
“Vinco Capital” or “Independent Financial Advisor”	Grand Vinco Capital Limited, a wholly-owned subsidiary of Vinco Financial Group Limited (Stock Code: 8340), a corporation licensed to carry out business in type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO and the independent financial adviser appointed to advise the Independent Board Committee and the Independent Shareholders in relation to the Right Issue
“%” or “per cent.”	percentage or per centum

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## LETTER FROM THE BOARD

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### FREEMAN FINANCIAL CORPORATION LIMITED

### 民豐企業控股有限公司

*(incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 279)**

*Executive Directors:*

Mr. Lo Kan Sun (*Acting Chairman*)  
Mr. Hui Quincy Kwong Hei (*Managing Director*)  
Ms. Au Shuk Yee, Sue  
Ms. Chow Mun Yee

*Non-executive Directors:*

Mr. Andrew Liu  
Mr. Liu Kam Fai, Winston

*Independent Non-executive Directors:*

Mr. Gary Drew Douglas  
Mr. Peter Temple Whitelam  
Dr. Agustin V. Que  
Mr. Frank H. Miu  
Mr. Hung Cho Sing

*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

17 January 2013

*To the Shareholders*

Dear Sir or Madam,

- (1) PROPOSED CAPITAL REORGANISATION;  
(2) PROPOSED CHANGE IN BOARD LOT SIZE;  
(3) PROPOSED RIGHTS ISSUE ON THE BASIS OF  
TWO RIGHTS SHARES FOR EVERY ADJUSTED SHARE  
HELD ON THE RECORD DATE;  
(4) RE-ELECTION OF A DIRECTOR;  
AND  
(5) NOTICE OF EXTRAORDINARY GENERAL MEETING**

#### **INTRODUCTION**

On 4 December 2012, the Company announced that, it proposes to effect:

- (a) the Capital Reorganisation which will comprise: (i) the proposed Share Consolidation; (ii) the Adjustment Proposal; and (iii) the proposed Share Subdivision;

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## LETTER FROM THE BOARD

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- (b) the Change in Board Lot Size; and
- (c) subject to the Capital Reorganisation becoming effective, the Rights Issue to raise approximately HK\$125.0 million before expenses (assuming no further issue of new Shares or Adjusted Shares or repurchase of Shares (save for the Facilitation Share Repurchase) on or before the Record Date) to approximately HK\$162.5 million before expenses (assuming (i) no repurchase of Shares (save for the Facilitation Share Repurchase); (ii) the maximum number of Options that can be issued pursuant to the Scheme Mandate are granted and exercised in full; and (iii) issue of new Shares or Adjusted Shares upon fully utilizing the General Mandate on or before the Record Date) by issuing not less than 147,067,484 new Adjusted Shares and not more than 191,187,728 new Adjusted Shares to the Qualifying Shareholders by way of the Rights Issue at a subscription price of HK\$0.85 per Rights Share on the basis of two Rights Shares for every Adjusted Share held on the Record Date. The Rights Issue will not be available to the Non-Qualifying Shareholders.

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

The purpose of this circular is to provide you, amongst other things, (i) further details about the proposed Capital Reorganisation, the proposed Change in Board Lot Size and the proposed Rights Issue; (ii) a letter of recommendation from the Independent Board Committee to the Independent Shareholders in respects of the Rights Issue; (iii) a letter of advice from Vinco Capital to the Independent Board Committee and the Independent Shareholders on the Rights Issue; (iv) the re-election of a Director; and (v) a notice convening the EGM at which the relevant resolutions will be proposed to consider and, if thought fit, approve the proposed Capital Reorganisation, the proposed Rights Issue and to re-elect Mr. Hung Cho Sing as an Independent Non-executive Director of the Company.

### **(1) PROPOSED CAPITAL REORGANISATION**

The Company proposes to effect the Capital Reorganisation comprising:-

- (i) the proposed Share Consolidation whereby every ten (10) issued Shares of par value of HK\$0.05 each will be consolidated into one (1) Consolidated Share of par value of HK\$0.50 each;
- (ii) immediately following the Share Consolidation, the nominal value of each issued Consolidated Share will be reduced from par value of HK\$0.50 each to par value of HK\$0.01 each by cancellation of the paid-up capital to the extent of HK\$0.49 on each issued Consolidated Share;

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## LETTER FROM THE BOARD

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- (iii) the credit arising from such capital reduction described in paragraph (ii) above will be applied to set-off the accumulated deficit of the Company and the balance (if any) will be transferred to a distributable reserve called the distributable capital reduction reserve account or other reserve account of the Company; and
- (iv) following the Adjustment Proposal, the proposed Share Subdivision whereby each authorised but unissued Share of par value of HK\$0.05 each will be subdivided into five (5) Adjusted Shares of par value of HK\$0.01 each.

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

### **Conditions of the Capital Reorganisation**

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

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

No Shareholder is required to abstain from voting on the Capital Reorganisation at the EGM. As at the Latest Practicable Date, there are no warrants or other securities convertible into or giving rights to subscribe for the Shares.

Application will be made by the Company to the Listing Committee of the Stock Exchange for listing of, and permission to deal in, the Adjusted Shares and any Adjusted Shares which may be issued pursuant to the exercise of options that may be granted under the share option scheme of the Company adopted on 31 August 2012.

As at the Latest Practicable Date, the share capital of the Company consists of 735,337,422 Shares in issue and the aggregate nominal value of the issued share capital of the Company is approximately HK\$36.77 million. In order to facilitate the Share Consolidation, the Company will use its best effort to repurchase and cancel two Shares prior to the date of EGM and in compliance with Rule 10.06(2)(e) of the Listing Rules. Disclosure will be made

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## LETTER FROM THE BOARD

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by the Company in respect of such share repurchase, if any, in accordance with the Listing Rules. Assuming two Shares will be repurchased and cancelled by the Company and no further Shares are issued until the effective date of the Capital Reorganisation, based on 735,337,420 Shares then in issue, a total credit of approximately HK\$36.07 million will arise in the books of the Company as a result of the Adjustment Proposal which will be applied to set off any accumulated deficit of the Company at the relevant time with the balance (if any) to be transferred to a distributable reserve called the distributable capital reduction reserve account or other reserve account of the Company.

After the Capital Reorganisation, the authorised share capital of the Company will be HK\$5,000,000,000 divided into 500,000,000,000 Adjusted Shares of HK\$0.01 each, of which approximately 73,533,742 Adjusted Shares will be in issue and the aggregate nominal value of the issued share capital of the Company will become approximately HK\$0.7 million (assuming no Shares are issued from the date hereof until the effective date of the Capital Reorganisation).

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

In order to alleviate the difficulties arising from the existence of odd lots of Adjusted Shares, the Company has appointed Chung Nam Securities Limited as an agent to provide matching services for the sale and purchase of odd lots of Adjusted Shares arising from the Capital Reorganisation and the Change in Board Lot Size. Shareholders who wish to take advantage of this facility should contact Mr. Cecil Chan of Chung Nam Securities Limited at 26/F., China United Centre, 28 Marble Road, North Point, Hong Kong at telephone number (852) 3198 0888 during office hours. Shareholders should note that successful matching of the sale and purchase of odd lots of the Adjusted Shares is not guaranteed.

### **Effect of the Capital Reorganisation**

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

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

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

Subject to the Capital Reorganisation, Shareholders may, during a period to be specified in a further announcement to be made by the Company, submit certificates for Shares to the Company's registrar for exchange, at the expense of the Company, for certificates for Adjusted

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## LETTER FROM THE BOARD

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Shares. Thereafter, certificates for Shares will be accepted for exchange only on payment of a fee of HK\$2.50 (or such other amount as may from time to time be allowed by the Stock Exchange) for each new certificate issued for Adjusted Shares. The new share certificates will be issued in red colour to distinguish them from existing share certificates which are in blue colour.

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

### **Timing**

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

### **(2) PROPOSED CHANGE IN BOARD LOT SIZE**

The Shares are currently traded in board lots of 20,000 Shares each. The Company proposes to change the board lot size of the Shares for trading on the Stock Exchange from 20,000 Shares to 4,000 Adjusted Shares upon the Capital Reorganisation becoming effective.

Assuming the Capital Reorganisation and the Change in Board Lot Size become effective, the Adjusted Shares will be traded in board lots of 4,000 Adjusted Shares and the estimated market value per board lot of the Adjusted Shares will be HK\$4,480 (based on the closing price of HK\$0.112 per Share as quoted on the Stock Exchange on the Latest Practicable Date and adjusted to HK\$1.12 per Adjusted Share for the effect of the Share Consolidation). The Change in Board Lot Size is conditional on the Capital Reorganisation becoming effective.

### **Reasons for the proposed Capital Reorganisation and proposed Change in Board Lot Size**

It is expected that the Share Consolidation and the Change in Board Lot Size will bring about a corresponding upward adjustment in the trading price per board lot of the Adjusted Shares on the Stock Exchange and reduce the total number of Shares currently in issue. The Company considers the Share Consolidation would adjust the level of the trading price of the Shares and become more attractive to the general investors. The Share Consolidation together with the Change in Board Lot Size will help to reduce the overall transaction costs for dealing in the Adjusted Shares which are calculated on per board lot basis.

Accordingly, the Directors are of the view that the Capital Reorganisation and the Change in Board Lot Size is fair and reasonable and in the interests of the Company and the Shareholders as a whole.



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## LETTER FROM THE BOARD

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### (3) PROPOSED RIGHTS ISSUE

On 4 December 2012, the Company and the Underwriter entered into the Underwriting Agreement in relation to the underwriting arrangements in respect of the proposed Rights Issue.

#### Issue statistics

Basis of the Rights Issue	:	two Rights Shares for every Adjusted Share held on the Record Date
Number of Shares in issue as at the Latest Practicable Date	:	735,337,422 Shares
Number of Adjusted Shares in issue upon completion of the Capital Reorganisation	:	73,533,742 Adjusted Shares ( <i>Note 1</i> )
Number of Rights Shares	:	not less than 147,067,484 Rights Shares (assuming no further issue of new Shares or Adjusted Shares or repurchase of Shares (save for the Facilitation Share Repurchase) on or before the Record Date) and not more than 191,187,728 Rights Shares (assuming (i) no repurchase of Shares (save for the Facilitation Share Repurchase); (ii) the maximum number of Options that can be issued pursuant to the Scheme Mandate are granted and exercised in full; and (iii) issue of new Shares or Adjusted Shares upon fully utilizing the General Mandate on or before the Record Date)
Subscription Price	:	HK\$0.85 per Rights Share
Number of Rights Shares underwritten by the Underwriter	:	all the Rights Shares

#### Notes:

1. Assuming no issue of new Shares or Adjusted Shares or repurchase of Shares (save for the Facilitation Share Repurchase) prior to the Capital Reorganisation becoming effective.

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## LETTER FROM THE BOARD

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2. As at the Latest Practicable Date, the Company has no outstanding convertible securities, options or warrants in issue which confer any right to subscribe for, convert or exchange into Shares. Assuming no further issue of new Shares or Adjusted Shares or repurchase of Shares (save for the Facilitation Share Repurchase) on or before the Record Date, the 147,067,484 nil-paid Rights Shares proposed to be provisionally allotted represent 200% of the Company's issued share capital upon completion of the Capital Reorganisation and approximately 66.67% of the Company's issued share capital as enlarged by the issue of the 147,067,484 Rights Shares. As the Rights Issue will only be completed after the Capital Reorganisation becomes effective, the aggregate nominal value of the 147,067,484 Rights Shares will be HK\$1,470,674.84.
3. As at the Latest Practicable Date, the Board has not received any information from any substantial Shareholders of their intention to take up the Rights Shares that will be provisionally allotted or offered to them.

### **Qualifying Shareholders**

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

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

In order to be registered as members of the Company at the close of business on the Record Date, owners of Adjusted Shares must lodge any transfers of Adjusted Shares (together with the relevant share certificates) with the Company's share registrar in Hong Kong, Tricor Secretaries Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong for registration by no later than 4:30 p.m. on Thursday, 13 June 2013.

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

The register of members of the Company will be closed from 14 June 2013 to 19 June 2013, both days inclusive. No transfer of Adjusted Shares will be registered during this period.

### **Rights of Overseas Shareholders**

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

As at the Latest Practicable Date, there is no Overseas Shareholder.

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## LETTER FROM THE BOARD

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In compliance with the necessary requirements of the Listing Rules, the Company will make enquiries regarding the feasibility of extending the Rights Issue to the Overseas Shareholders (if any). Up to the Latest Practicable Date, the Company has not yet made any enquires to the legal advisors as there is no Overseas Shareholder as at the Latest Practicable Date. All Shareholders would be entitled to participate in the Rights Issue if there remains no Overseas Shareholders on the Record Date. If, based on legal opinions, the Directors consider that it is necessary or expedient not to offer the Rights Shares to the Overseas Shareholders on account either of the legal restrictions under the laws of the relevant place(s) or the requirements of the relevant regulatory body or stock exchange in that(those) place(s), the Rights Issue will not be available to such Overseas Shareholders. Further information in this connection will be set out in the Prospectus Documents containing, among other things, details of the Rights Issue, to be despatched to the Qualifying Shareholders on the Posting Date. The Company will send copies of the Prospectus to the Non-Qualifying Shareholders for their information only, but will not send PAL and EAF to them.

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

### **Subscription Price**

The Subscription Price is HK\$0.85 per Rights Share, payable in full upon acceptance of the relevant provisional allotment of Rights Shares and, where applicable, application for excess Rights Shares under the Rights Issue or when a transferee of nil-paid Rights Shares applies for the Rights Shares.

The Subscription Price represents:

- (a) a discount of approximately 51.43% to the adjusted closing price of HK\$1.75 per Adjusted Share (based on the closing price of HK\$0.175 per Share as quoted on the Stock Exchange on the Last Trading Day and adjusted for the effect of the Share Consolidation);
- (b) a discount of approximately 53.04% to the average adjusted closing price of approximately HK\$1.81 per Adjusted Share (based on the average closing price of HK\$0.181 per Share as quoted on the Stock Exchange for the five consecutive trading days ended on the Last Trading Day and adjusted for the effect of the Share Consolidation); and

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## LETTER FROM THE BOARD

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- (c) a discount of approximately 26.09% to the theoretical ex-rights price of approximately HK\$1.15 per Adjusted Share (based on the closing price of HK\$0.175 per Share as quoted on the Stock Exchange on the Last Trading Day and adjusted for the effect of the Share Consolidation).
- (d) a discount of approximately 24.11% to the closing price of HK\$1.12 per Adjusted Share (based on the closing price of HK\$0.112 per Share as quoted on the Stock Exchange on the Latest Practicable Date and adjusted for the effect of the Share Consolidation); and
- (e) a discount of approximately 9.57% to the theoretical ex-rights price of approximately HK\$0.94 per Adjusted Share (based on the closing price of HK\$0.112 per Adjusted Share as quoted on the Stock Exchange on the Latest Practicable Date and adjusted for the effect of the Share Consolidation).

The Subscription Price was determined after arm's length negotiations between the Company and the Underwriter with reference to the market price of the Shares under the prevailing market conditions. The Directors (including the independent non-executive Directors) consider the terms of the Rights Issue, including the Subscription Price which has been set as a discount as described above with an objective to encourage existing Shareholders to take up their entitlements so as to participate in the potential growth of the Company, to be fair and reasonable and in the best interests of the Company and the Shareholders as a whole. The net price per Rights Share (assuming no further issue of new Shares or Adjusted Shares or repurchase of Shares (save for the Facilitation Share Repurchase) on or before the Record Date) will be approximately HK\$0.81.

### **Basis of provisional allotment**

The basis of the provisional allotment shall be two Rights Shares for every Adjusted Share in issue and held at the close of business on the Record Date, being not less than 147,067,484 Rights Shares and not more than 191,187,728 Rights Shares at the Subscription Price payable in full on acceptance and otherwise on the terms and subject to the conditions set out in the Underwriting Agreement and the Prospectus Documents. Application for all or any part of a provisional allotment should be made by completing the PAL and lodging the same with a remittance for the Rights Shares being applied for.

### **Fractions of Rights Shares**

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

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## LETTER FROM THE BOARD

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### **Status of the Rights Shares**

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

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

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

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

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

Investors whose Shares are held by their nominee(s) and who would like to have their names registered on the register of members of the Company at the close of business on the Record Date, must lodge all necessary documents with the share registrar of the Company, Tricor Secretaries Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong, for completion of the relevant registration by 4:30 p.m. on Thursday, 13 June 2013.

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## LETTER FROM THE BOARD

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

Subject to the fulfillment of the conditions of the Rights Issue, certificates for all fully-paid Rights Shares are expected to be posted to those entitled thereto by ordinary post at their own risk on or before 12 July 2013. Refund cheques in respect of wholly or partially unsuccessful applications for excess Rights Shares (if any) are expected to be posted on or before 12 July 2013 by ordinary post to the applicants at their own risk.

### **Application for listing**

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

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

Both nil-paid Rights Shares and fully-paid Rights Shares will be traded in board lots of 4,000 Adjusted Shares.

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

### **Taxation**

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

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## LETTER FROM THE BOARD

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### Conditions of the Rights Issue

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

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

In the event that the above conditions have not been satisfied on or before 4:00 p.m. on 31 August 2013 (or such later date as the Underwriter and the Company may agree in writing), all liabilities of the parties to the Underwriting Agreement shall cease and determine and no party shall have any claim against the other parties save for any antecedent breach of the Underwriting Agreement and the Rights Issue will not proceed.

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## LETTER FROM THE BOARD

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### UNDERWRITING ARRANGEMENTS

#### The Underwriting Agreement

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

Date	:	4 December 2012
Underwriter	:	Chung Nam Securities Limited

The Underwriter is a wholly-owned subsidiary of HEC Capital Limited (“HEC”), and as at the Latest Practicable Date, the Group owns an approximate 19.64% shareholding interest in HEC. According to the disclosure of interests of the Company on the Stock Exchange, HEC holds 9.52% shareholding interest in the Company. To the best of the knowledge, information and belief of the Directors, after having made all reasonable enquiries, the Underwriter and its ultimate beneficial owners are Independent Third Parties.

Underwriting commitment of the Underwriter	:	The Rights Shares will be fully underwritten by the Underwriter pursuant to the terms and conditions of the Underwriting Agreement
Commission	:	3% of the aggregate Subscription Price multiplied by the number of all the Rights Shares

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

#### Termination of the Underwriting Agreement

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



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## LETTER FROM THE BOARD

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- (a) the Underwriter shall become aware of the fact that, or shall have reasonable cause to believe that, any of the representations or warranties contained in the Underwriting Agreement is untrue, inaccurate, misleading or breached, and in each case the same is (in the reasonable opinion of the Underwriter) material in the context of the Rights Issue; or
- (b)
  - (i) any new law or regulation is enacted, or there is any change in existing laws or regulations or any change in the interpretation or application thereof by any court or other competent authority, whether in Hong Kong, the Cayman Islands or elsewhere;
  - (ii) any change in local, national or international financial, political, industrial or economic conditions;
  - (iii) any change of an exceptional nature in local, national or international equity securities or currency markets;
  - (iv) any local, national or international outbreak or escalation of hostilities, insurrection or armed conflict;
  - (v) any moratorium, suspension or material restriction on trading in securities generally on the Stock Exchange; or
  - (vi) any change or development involving a prospective change in taxation or exchange controls in Hong Kong, the Cayman Islands or elsewhere,

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

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

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

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## LETTER FROM THE BOARD

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

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

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

## LETTER FROM THE BOARD

### SHAREHOLDING STRUCTURE OF THE COMPANY

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

#### Scenario 1:

Assuming no further issue of new Shares or Adjusted Shares and no repurchase of Shares (save for the Facilitation Share Repurchase) and assuming HEC's shareholding in the Company does not change on or before the Record Date:

Name of Shareholders	As at the Latest Practicable Date		Immediately after the Capital Reorganisation becoming effective but before completion of the Rights Issue		Immediately after completion of the Rights Issue assuming all the Qualifying Shareholders take up their respective allotment of Rights Shares in full		Immediately after completion of the Rights Issue assuming no Qualifying Shareholder takes up any of the Rights Shares and the Underwriter takes up the Rights Shares to the maximum extent	
	Number of Shares	Approximate %	Number of Shares	Approximate %	Number of Shares	Approximate %	Number of Shares	Approximate %
<b>Substantial Shareholder</b>								
Willie International Holdings Limited	113,128,834	15.38	11,312,883	15.38	33,938,649	15.38	11,312,883	5.13
<b>Directors</b>								
Andrew Liu (Note 1)	124,094,235	16.88	12,409,423	16.88	37,228,269	16.88	12,409,423	5.63
Au Shuk Yee, Sue (Note 2)	819,480	0.11	81,948	0.11	245,844	0.11	81,948	0.04
Chow Mun Yee (Note 2)	672,000	0.09	67,200	0.09	201,600	0.09	67,200	0.03
Gary Drew Douglas (Note 3)	472,000	0.06	47,200	0.06	141,600	0.06	47,200	0.02
Frank H. Miu (Note 3)	472,000	0.06	47,200	0.06	141,600	0.06	47,200	0.02
<b>Underwriter and its associates (including HEC), sub-underwriters and subscribers procured by them (Note 4)</b>								
	70,000,054	9.52	7,000,005	9.52	21,000,015	9.52	154,067,489	69.84
<b>Public Shareholders</b>	<u>425,678,819</u>	<u>57.90</u>	<u>42,567,883</u>	<u>57.90</u>	<u>127,703,649</u>	<u>57.90</u>	<u>42,567,883</u>	<u>19.29</u>
<b>Total</b>	<u><b>735,337,422</b></u>	<u><b>100.00</b></u>	<u><b>73,533,742</b></u>	<u><b>100.00</b></u>	<u><b>220,601,226</b></u>	<u><b>100.00</b></u>	<u><b>220,601,226</b></u>	<u><b>100.00</b></u>

## LETTER FROM THE BOARD

### Scenario 2:

Assuming (i) no repurchase of Shares (save for the Facilitation Share Repurchase); (ii) the maximum number of Options that can be issued pursuant to the Scheme Mandate are granted and exercised in full; (iii) issue of new Shares or Adjusted Shares upon fully utilizing the General Mandate; and (iv) HEC's shareholding in the Company does not change on or before the Record Date:

Name of Shareholders	As at the Latest Practicable Date		Immediately after the Capital Reorganisation becoming effective but before completion of the Rights Issue		Assuming (i) no repurchase of Shares (save for the Facilitation Share Repurchase); (ii) the maximum number of Options that can be issued pursuant to the Scheme Mandate are granted and exercised in full; and (iii) issue of new Shares or Adjusted Shares upon fully utilizing the General Mandate after the Capital Reorganisation becoming effective but prior to the Record Date		Immediately after completion of the Rights Issue assuming all the Qualifying Shareholders take up their respective allotment of Rights Shares in full		Immediately after completion of the Rights Issue assuming no Qualifying Shareholder takes up any of the Rights Shares and the Underwriter takes up the Rights Shares to the maximum extent	
	Number of Shares	Approximate %	Number of Shares	Approximate %	Number of Shares	Approximate %	Number of Shares	Approximate %	Number of Shares	Approximate %
<b>Substantial Shareholder</b>										
Willie International Holdings Limited	113,128,834	15.38	11,312,883	15.38	11,312,883	11.83	33,938,649	11.83	11,312,883	3.94
<b>Directors</b>										
Andrew Liu (Note 1)	124,094,235	16.88	12,409,423	16.88	12,409,423	12.98	37,228,269	12.98	12,409,423	4.33
Au Shuk Yee, Sue (Note 2)	819,480	0.11	81,948	0.11	81,948	0.09	245,844	0.09	81,948	0.03
Chow Mun Yee (Note 2)	672,000	0.09	67,200	0.09	67,200	0.07	201,600	0.07	67,200	0.02
Gary Drew Douglas (Note 3)	472,000	0.06	47,200	0.06	47,200	0.05	141,600	0.05	47,200	0.02
Frank H. Miu (Note 3)	472,000	0.06	47,200	0.06	47,200	0.05	141,600	0.05	47,200	0.02
<b>Underwriter and its associates (including HEC), sub-underwriters and subscribers procured by them (Note 4)</b>										
	70,000,054	9.52	7,000,005	9.52	7,000,005	7.32	21,000,015	7.32	198,187,733	69.11

## LETTER FROM THE BOARD

Name of Shareholders	As at the Latest Practicable Date		Immediately after the Capital Reorganisation becoming effective but before completion of the Rights Issue		Assuming (i) no repurchase of Shares (save for the Facilitation Share Repurchase); (ii) the maximum number of Options that can be issued pursuant to the Scheme Mandate are granted and exercised in full; and (iii) issue of new Shares or Adjusted Shares upon fully utilizing the General Mandate after the Capital Reorganisation becoming effective but prior to the Record Date		Immediately after completion of the Rights Issue assuming all the Qualifying Shareholders take up their respective allotment of Rights Shares in full		Immediately after completion of the Rights Issue assuming no Qualifying Shareholder takes up any of the Rights Shares and the Underwriter takes up the Rights Shares to the maximum extent	
	Number of Shares	Approximate %	Number of Shares	Approximate %	Number of Shares	Approximate %	Number of Shares	Approximate %	Number of Shares	Approximate %
<b>Other Shareholders</b>										
Maximum number of new Adjusted Shares issued under the Scheme Mandate and the General Mandate	-	-	-	-	22,060,122	23.08	66,180,366	23.08	22,060,122	7.69
Other public Shareholders	425,678,819	57.90	42,567,883	57.90	42,567,883	44.53	127,703,649	44.53	42,567,883	14.84
<b>Total</b>	<b>735,337,422</b>	<b>100.00</b>	<b>73,533,742</b>	<b>100.00</b>	<b>95,593,864</b>	<b>100.00</b>	<b>286,781,592</b>	<b>100.00</b>	<b>286,781,592</b>	<b>100.00</b>

*Notes:*

1. Mr. Andrew Liu is a Non-executive Director.
2. Ms. Au Shuk Yee, Sue and Ms. Chow Mun Yee are Executive Directors.
3. Mr. Gary Drew Douglas and Mr. Frank H. Miu are Independent Non-executive Directors.
4. As at the Latest Practicable Date, the Underwriter is a wholly-owned subsidiary of HEC. Therefore the Underwriter and its associates (including HEC) will abstain from voting on the proposed ordinary resolution approving the Rights Issue at the EGM.

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## LETTER FROM THE BOARD

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The scenarios are for illustrative purpose only. As at the Latest Practicable Date, the Company does not have any other fund raising plan which is under discussion or negotiation. Pursuant to the Underwriting Agreement, the Underwriter has undertaken with the Company that (i) it shall use all reasonable endeavours to procure that its sub-underwriters and subscribers or purchasers procured by it under the Underwriting Agreement as well as subscribers or purchasers procured by its sub-underwriters shall be third party independent of, not acting in concert with and not connected with the Directors, chief executive or substantial Shareholders (within the meaning of the Listing Rules) of the Company or their respective associates; (ii) it will, and will cause its sub-underwriters to, procure independent subscribers or purchasers take up such number of Rights Shares (a) as necessary to ensure that the public float requirements under Rule 8.08 of the Listing Rules are complied with by the Company and (b) such that it, its sub-underwriters and the subscribers or purchasers procured by it and by its sub-underwriters shall not, together with party(ies) acting in concert with each of them, hold 29.9% or more of the voting rights of the Company upon completion of the Rights Issue.

### **Reasons for and Benefits of the Proposed Rights Issue and Use of Proceeds**

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

The gross proceeds from the Rights Issue will be not less than approximately HK\$125.0 million (assuming no further issue of new Shares or Adjusted Shares or repurchase of Shares (save for the Facilitation Share Repurchase) on or before the Record Date) and not more than approximately HK\$162.5 million (assuming (i) no repurchase of Shares (save for the Facilitation Share Repurchase); (ii) the maximum number of Options that can be issued pursuant to the Scheme Mandate are granted and exercised in full; and (iii) issue of new Shares or Adjusted Shares upon fully utilizing the General Mandate on or before the Record Date). The estimated net proceeds from the Rights Issue will be not less than approximately HK\$119.5 million (assuming no further issue of new Shares or Adjusted Shares or repurchase of Shares (save for the Facilitation Share Repurchase) on or before the Record Date) and not more than approximately HK\$155.9 million (assuming (i) no repurchase of Shares (save for the Facilitation Share Repurchase); (ii) the maximum number of Options that can be issued pursuant to the Scheme Mandate are granted and exercised in full; and (iii) issue of new Shares or Adjusted Shares upon fully utilizing the General Mandate on or before the Record Date).

As at 30 November 2012, the Group had cash and bank balances of approximately HK\$148.9 million.

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

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## LETTER FROM THE BOARD

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

With the net proceeds from the Rights Issue, the Company intends to undertake proprietary trading activities and/or invest into third-party managed funds. For proprietary trading activities which include investments in marketable equity, equity-related and/or debt securities, the Company has its own experienced proprietary trading team invest in the securities markets for potential investment returns. For third-party managed funds, the Company aims to select fund(s) with investment focus in Asia-Pacific Region and global markets. Other than this criteria, the Company's selection criteria for third-party managed funds also include: (i) relationships to source attractive opportunities and capital returns; and (ii) ability to manage market exposures, risk and volatility. The Company will look at credentials of fund management team before deciding which fund(s) the Company will invest into.

The Company has noticed that economies in the United States and China are showing signs of stabilization. As quoted in several 2012 third-quarter financial reviews, with the quantitative easing program implemented by the United States Federal Reserve, many indexes of the United States showed modest growth during the third quarter of 2012. There are also signs of price increases in the stock markets and housing markets of the United States. For China, economic data has stabilized with modest improving momentum. Stock indexes and housing indexes in China rallied in recent months showing that China economy has signs of recovery and a potential rebound for the China stock market. Also, with the urbanization draft plan recently released by the Chinese Government, it is expected to improve the infrastructure and public services in China, and to expand domestic demands, strengthen real estate controls and support small businesses as well as improve the overall China economy.

There is also gradual progress made in containing the sovereign debt crisis in Europe. During the third quarter of 2012, European Central Bank president offered to "do whatever it takes" to preserve Euro and keep the Eurozone together. The stock markets showed collective sigh of relief and the risk of breakup of the Eurozone has receded. With the unlimited bond-buying program by European Central Bank, banking and sovereign risks in Europe have incremental progress and the European banking system is recapitalizing itself without a major step down in economic and financial stability, especially with regards to Greece, Spain and Italy.

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## LETTER FROM THE BOARD

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For the six months ended 30 September 2012, the Group resulted a net loss of approximately HK\$65 million for trading of securities segment which was substantially less than HK\$431 million of the previous corresponding period. For the year ended 31 March 2012 and 2011, this segment resulted a net loss of approximately HK\$487 million and HK\$152 million respectively. These losses were mainly reflected by the realised and unrealised losses on marketable securities due to the market volatility. Investment sentiments in 2011 and 2010 were generally recessed and many stock market indexes remained at low levels. With stabilizing economies in the United States and China and gradual progress in European sovereign debt crisis during 2012, global market conditions are moderately calmed and improved with modest growth. The Group resulted a net realised gain from sale of marketable securities of approximately HK\$1 million for the six months ended 30 September 2012 whereas resulted a net loss of approximately HK\$12 million for the six months ended 30 September 2011, HK\$38 million for the year ended 31 March 2012 and HK\$69 million for the year ended 31 March 2011. The above figures show a gradual improvement in trading of securities segment.

With these factors, the Company therefore believes that the current market conditions present an excellent window of opportunity for the Company to devote additional resources to its proprietary trading activities in order to capture potential upside.

In respect of the proprietary trading activities of the Group, the Company intends to invest mainly in equity, equity-related and/or debt securities in listed companies in Hong Kong and other major global securities markets. The Company also intends to maintain a diversified investment portfolio both in terms of the number of investee companies as well as the industries in which the investee companies operate, in order to manage the Company's exposure to different companies and different industries. In view of the improving performance in trading of securities segment for the six months ended 30 September 2012 as compared to the results for the two years ended 31 March 2012 and 2011, the Company will focus more on making investments in companies with promising growth prospects and/or which are trading at a discount to net asset value, with the primary investment objective of achieving capital appreciation.



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## LETTER FROM THE BOARD

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In addition to directly investing into marketable equity, equity-related and/or debt securities as the Company has done in the past, the Company will also actively explore the pros and cons of investing into third-party managed private equity funds, hedge funds and/or other types of funds. For third-party managed private equity fund, the Company will focus on collective investment schemes managed by investment professionals for making investment in various equity and debt securities according to investment strategies, including utilizing financial engineering, operational management, and relationships to source attractive opportunities. For third-party managed hedge fund, the Company will focus on single-strategy or multi-strategy collective investment schemes with investment strategies including macro, long short, quants, algorithmic for positive returns regardless of the directional movement in global markets. The Company may also look at other types of funds like traditional mutual funds, but the main focus will be on private equity funds and/or hedge funds. Investing into third-party managed funds will allow the Company to leverage upon the expertise of outside fund managers (instead of relying only upon the expertise of the Company's own proprietary trading team). It will also serve to increase the breadth and depth of the Company's investments, thereby creating a more balanced investment portfolio.

The Company therefore intends to apply the net proceeds from the Rights Issue to undertake proprietary trading activities and/or invest into third-party managed funds, with an amount of approximately HK\$102 million if the minimum net proceeds from the Rights Issue are raised or approximately HK\$138 million if the maximum net proceeds from the Rights Issue are raised with the remaining of approximately HK\$18 million for working capital purposes. As at the Latest Practicable Date, however, the Company has not identified any investment target, and has not determined the specific amount of investment to be made in any one company/fund and the timing of any such investment.

The Board has considered debt financing and other methods of equity financing as possible financing alternatives available to the Group.

For debt financing, it is expected that the Group would find it difficult to obtain bank borrowings with favourable terms under the current market condition. In addition, debt financing will increase the Group's gearing ratio, debt-servicing costs and subject the Group to repayment obligations. Equity financing (such as in the form of the Rights Issue), on the other hand, will enable the Group to strengthen its capital base and enhance its financial position. Therefore, the Board considers that it is prudent to finance the Group's long-term growth by long-term financing, preferably in the form of equity.

With regard to equity financing, any placing of new Shares without first offering to the existing Shareholders the opportunity to participate would result in a dilution of shareholding interests of the existing Shareholders. Moreover, the Board would like to provide the opportunities for all Shareholders to share the prospects of the Group and rights issue allows the existing Shareholders to participate in future development of the Group on equal terms.

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## LETTER FROM THE BOARD

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Although both open offer and rights issue would allow all Shareholders to participate in the fund-raising exercise and to maintain their proportionate shareholding interests in the Company, the Board considers that a rights issue would further allow those Shareholders who do not want to participate in the fund-raising to dispose of their rights shares entitlements in the market in nil-paid form.

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

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

Date of announcements	Fund raising activities	Net proceeds raised (Approximately)	Proposed use of the net proceeds	Actual use of the net proceeds
19 January 2012	Rights issue of 2,451,124,742 shares at HK\$0.10 each on the basis of 2 rights shares for every share held on 18 April 2012	HK\$239.2 million	For general working capital with an amount of approximately HK\$5 million and substantially for: (a) providing funding support to the Group's securities brokerage business with an amount ranging from approximately HK\$91 million to HK\$131 million, (b) strategic investments in areas such as financial planning, insurance brokerage and corporate finance services with an amount of approximately HK\$10 million, and (c) investments in marketable securities for potential capital appreciation with an amount ranging from approximately HK\$92 million to HK\$132 million	Used as intended, except that only approximately HK\$3 million has been utilised for strategic investments in areas such as financial planning, insurance brokerage and corporate finance services, and the balance of HK\$7 million has been earmarked for such strategic investments but not yet utilised
3 October 2011	Issue of 188,548,057 shares to Willie International Holdings Limited	HK\$48.1 million	For replenishment of the working capital of the Company as described in the Company's circular dated 30 November 2011	Used as intended

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

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## LETTER FROM THE BOARD

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### IMPLICATIONS UNDER THE LISTING RULES

#### The proposed Rights Issue

In compliance with Rule 7.19(6) of the Listing Rules, the proposed Rights Issue is conditional on the approval by the Independent Shareholders at the EGM. The Company does not have any controlling shareholder. As at the Latest Practicable Date, Ms. Au Shuk Yee, Sue, being an executive Director who holds 819,480 Shares (representing approximately 0.11% of the entire issued share capital of the Company), Ms. Chow Mun Yee, being an executive Director who holds 672,000 Shares (representing approximately 0.09% of the entire issued share capital of the Company) and Mr. Andrew Liu, being a non-executive Director who holds 124,094,235 Shares (representing approximately 16.88% of the entire issued share capital of the Company), together with their respective associates will abstain from voting in favour of the proposed ordinary resolution approving the Rights Issue at the EGM. In addition, the Underwriter is a wholly-owned subsidiary of HEC. Therefore the Underwriter and its associates (including HEC) will abstain from voting on the proposed ordinary resolution approving the Rights Issue at the EGM.

An EGM will be convened for Independent Shareholders to consider and, if thought fit, pass the ordinary resolution to approve the proposed Rights Issue.

The Independent Board Committee has been appointed to make recommendations to the Independent Shareholders in respect of the Rights Issue. The Independent Financial Adviser has been appointed to advise the Independent Board Committee and the Independent Shareholders in this regard.

#### (4) RE-ELECTION OF A DIRECTOR

On 9 January 2013, the Board announced that Mr. Hung Cho Sing (“Mr. Hung”) was appointed as an Independent Non-executive Director of the Company with effect from 9 January 2013.

In accordance with Article 95 and pursuant to code provision A4.2 of the Corporate Governance Code and Corporate Governance Report contained in Appendix 14 of the Listing Rules, Mr. Hung will retire and, being eligible, offers himself for re-election at the EGM.

Details of Mr. Hung proposed for re-election at the EGM are set out in the Appendix IV of this circular.

No Shareholder is required to abstain for voting for the re-election of Mr. Hung.

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## LETTER FROM THE BOARD

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### GENERAL

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

### EGM

The notice convening the EGM is set out on pages 82 to 85 of this circular. The EGM will be convened at 30th Floor, China United Centre, 28 Marble Road, North Point, Hong Kong at 4:00 p.m. on Monday, 18 February 2013 for the purpose of, considering and, if thought fit, to approve the proposed Capital Reorganisation, the proposed Rights Issue and to re-elect Mr. Hung Cho Sing as an Independent Non-executive Director of the Company.

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

### RECOMMENDATION

You are advised to read carefully the letter from the Independent Board Committee and the letter from Vinco Capital set out on page 33 and pages 34 to 56 respectively of this circular. The Independent Board Committee, having taken into account the terms of the Underwriting Agreement and the advice of Vinco Capital, considers that the terms of the Rights Issue are fair and reasonable so far as the Company and the Independent Shareholders are concerned and the Rights Issue is in the interests of the Company and the Shareholders as a whole. Accordingly, the Independent Board Committee recommends the Independent Shareholders to vote in favour of the proposed ordinary resolution approving the Rights Issue at the EGM.

The Directors believe that the Capital Reorganisation, the Rights Issue and the re-election of a Director are in the interests of the Group and the Shareholders as a whole, and accordingly, the Directors recommend the Shareholders to vote in favour of the special resolution approving the proposed Capital Reorganisation and the ordinary resolution to re-elect Mr. Hung Cho Sing as an Independent Non-executive Director of the Company to be proposed at the EGM, and the Independent Shareholders to vote in favour of the ordinary resolution approving the Rights Issue to be proposed at the EGM.

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## LETTER FROM THE BOARD

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### ADDITIONAL INFORMATION

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

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

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## LETTER FROM THE INDEPENDENT BOARD COMMITTEE

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



### **FREEMAN FINANCIAL CORPORATION LIMITED**

**民豐企業控股有限公司**

*(incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 279)**

17 January 2013

*To the Independent Shareholders*

Dear Sir or Madam,

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

We refer to the circular of the Company dated 17 January 2013 (the “**Circular**”) of which this letter forms part. Unless the context specifies otherwise, capitalised terms used herein have the same meanings as defined in the Circular.

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

Having considered the terms of the Underwriting Agreement, and the principal reasons and factors considered by, and the advice of, Vinco Capital as set out in its letter of advice to you and us on pages 34 to 56 of the Circular, we are of the opinion that the Rights Issue is in the interests of the Company and the Shareholders as a whole and the terms of which are fair and reasonable insofar as the Company and the Independent Shareholders are concerned. Accordingly, we recommend the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the EGM to approve the Rights Issue.

Yours faithfully,

For and on behalf of

**Independent Board Committee**

**Mr. Peter Temple Whitelam**

**Dr. Agustin V. Que**

*Independent Non-executive Directors*

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## LETTER FROM VINCO CAPITAL

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*The following is the text of a letter of advice from Vinco Capital to the Independent Board Committee and the Independent Shareholders in connection with the Rights Issue which has been prepared for the purpose of incorporation in this circular:*



**Grand Vinco Capital Limited**  
Units 4909-4910, 49/F., The Center  
99 Queen's Road Central, Hong Kong

17 January 2013

*To the Independent Board Committee and the Independent Shareholders of  
Freeman Financial Corporation Limited*

Dear Sirs,

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

#### **A. INTRODUCTION**

We refer to our engagement as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in connection with the Rights Issue, details of which are set out in the "Letter from the Board" in the circular (the "Circular") issued by the Company to the Shareholders dated 17 January 2013 of which this letter forms part. Capitalized terms used in this letter shall have the same meanings ascribed to them in the Circular unless the context otherwise requires.

On 4 December 2012, the Company announced that the Company proposed to raise approximately HK\$125.0 million, before expenses (assuming no further issue of new Shares or Adjusted Shares or repurchase of Shares (save for the Facilitation Share Repurchase) on or before the Record Date) to approximately HK\$162.5 million before expenses (assuming (i) no repurchase of Shares (save for the Facilitation Share Repurchase); (ii) the maximum number of Options that can be issued pursuant to the Scheme Mandate are granted and exercised in full; and (iii) issue of new Shares or Adjusted Shares upon fully utilizing the General Mandate on or before the Record Date) by issuing not less than 147,067,484 new Adjusted Shares and not more than 191,187,728 new Adjusted Shares to the Qualifying Shareholders by way of the Rights Issue at a subscription price of HK\$0.85 per Rights Share on the basis of two Rights Shares for every Adjusted Share held on the Record Date. The Rights Issue will not be available to the Non-Qualifying Shareholders.

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## LETTER FROM VINCO CAPITAL

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The estimated net proceeds of the Rights Issue will be not less than approximately HK\$119.5 million (assuming no further issue of new Shares or Adjusted Shares or repurchase of Shares (save for the Facilitation Share Repurchase) on or before the Record Date) and not more than approximately HK\$155.9 million (assuming (i) no repurchase of Shares (save for the Facilitation Share Repurchase); (ii) the maximum number of Options that can be issued pursuant to the Scheme Mandate are granted and exercised in full; and (iii) issue of new Shares or Adjusted Shares upon fully utilizing the General Mandate on or before the Record Date).

As stated in the Letter of the Board, the Company intends to apply the net proceeds from the Rights Issue to undertake proprietary trading activities and/or invest into third-party managed funds, with an amount of approximately HK\$102 million if the minimum net proceeds from the Rights Issue are raised or approximately HK\$138 million if the maximum net proceeds from the Rights Issue are raised with the remaining of approximately HK\$18 million for working capital purposes.

In compliance with Rule 7.19(6) of the Listing Rules, the proposed Rights Issue is conditional upon the approval of the Independent Shareholders at the EGM. The Company does not have any controlling Shareholder. As at the Latest Practicable Date, Ms. Au Shuk Yee, Sue, being an executive Director who holds 819,480 Shares (representing approximately 0.11% of the entire issued share capital of the Company), Ms. Chow Mun Yee, being an executive Director who holds 672,000 Shares (representing approximately 0.09% of the entire issued share capital of the Company) and Mr. Andrew Liu, being a non-executive Director who holds 124,094,235 Shares (representing approximately 16.88% of the entire issued share capital of the Company), together with their respective associates will abstain from voting in favour of the proposed ordinary resolution approving the Rights Issue at the EGM. In addition, the Underwriter is a wholly-owned subsidiary of HEC Capital Limited (“HEC”). Therefore the Underwriter and its associates (including HEC) will abstain from voting on the proposed ordinary resolution approving the Rights Issue at the EGM.

The Underwriter is a wholly-owned subsidiary of HEC, and as at the Latest Practicable Date, the Group owns an approximate 19.64% shareholding interest in HEC. According to the disclosure of interests of the Company on the Stock Exchange, HEC holds 9.52% shareholding interest in the Company. To the best of the knowledge, information and belief of the Directors, after having made all reasonable enquiries, the Underwriter and its ultimate beneficial owners are Independent Third Parties.

The Independent Board Committee, comprising Mr. Peter Temple Whitelam and Dr. Agustin V. Que, all being the independent non-executive Directors, has been formed to advise the Independent Shareholders in respect of the Rights Issue. We have been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in this regard. In our capacity as the independent financial adviser to the Independent Board Committee and the Independent Shareholders for the purposes of the Listing Rules, our role is to give you an independent opinion as to whether the terms of the Rights Issue are fair and reasonable and in the interests of the Company and the Independent Shareholders as a whole and whether the Independent Shareholders should vote in favour of the resolution to be proposed at the EGM to approve the Rights Issue.



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## LETTER FROM VINCO CAPITAL

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### **B. BASIS OF OUR OPINION AND RECOMMENDATION**

In forming our opinion and recommendation, we have relied on the information, facts and representations contained or referred to in the Circular and the information, facts and representations provided by, and the opinions expressed by the Directors, management of the Company and its subsidiaries. We have assumed that all information, facts, opinions and representations made or referred to in the Circular were true, accurate and complete at the time they were made and continued to be true, accurate and complete as at the date of the Circular and that all expectations and intentions of the Directors, management of the Company and its subsidiaries, will be met or carried out as the case may be. We have no reason to doubt the truth, accuracy and completeness of the information, facts, opinions and representations provided to us by the Directors, management of the Company and its subsidiaries. The Directors have confirmed to us that no material facts have been omitted from the information supplied and opinions expressed. We have no reason to doubt that any relevant material facts have been withheld or omitted from the information provided and referred to in the Circular or the reasonableness of the opinions and representations provided to us by the Directors, management of the Company and its subsidiaries.

The Directors jointly and severally accept full responsibility for the accuracy of the information contained in the Circular and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in the Circular have been arrived at after due and careful consideration and there are no other facts not contained in the Circular, the omission of which would make any statement in the Circular misleading.

We have relied on such information and opinions and have not, however, conducted any independent verification of the information provided, nor have we carried out any independent investigation into the business, financial conditions and affairs of the Group or its future prospect.

In formulating our opinion, we have not considered the taxation implications on Independent Shareholders in relation to the subscription for, holding or disposal of the Rights Shares or otherwise, since these are particular to their individual circumstances. It is emphasized that we will not accept responsibility for any tax effects on, or liabilities of any person resulting from the subscription for, holding or disposal of the Rights Shares or otherwise. In particular, Independent Shareholders subject to overseas taxation or Hong Kong taxation on securities dealings should consider their own tax position and, if in any doubt, should consult their own professional advisers.

Based on the foregoing, we confirm that we have taken all reasonable steps, which are applicable to the Rights Issue, as referred to in Rule 13.80 of the Listing Rules (including the notes thereto).

This letter is issued for the information of the Independent Board Committee and the Independent Shareholders solely in connection with their consideration of the proposed Rights Issue and, except for its inclusion in the Circular, is not to be quoted or referred to, in whole or in part, nor shall this letter be used for any other purposes, without our prior written consent.

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## LETTER FROM VINCO CAPITAL

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### C. PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion and recommendation to the Independent Board Committee and the Independent Shareholders in relation to the Rights Issue, we have considered the principal factors and reasons set out below:

#### I. The Proposed Rights Issue

##### 1. Background information of the Group

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

Set out below is a summary of the audited consolidated financial results of the Group for the two years ended 31 March 2012 and the unaudited consolidated financial results for the six months ended 30 September 2012, as extracted from the Company's annual report 2012 (the "Annual Report 2012") and the Company's interim report 2012 (the "Interim Report 2012"):

#### Consolidated Income Statement

	<b>For the six months ended 30 September 2012 (unaudited) HK\$'000</b>	<b>For the year ended 31 March 2012 (audited) HK\$'000</b>	<b>For the year ended 31 March 2011 (audited) HK\$'000</b>
Turnover	29,223	8,759	82,163
Fair value losses on investments at fair value through profit or loss, net	(79,353)	(463,748)	(82,743)
Comprehensive profit/(loss) attributable to Shareholders	(47,787)	(624,423)	(150,814)

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## LETTER FROM VINCO CAPITAL

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### Consolidated Statement of Financial Position

	As at 30 September 2012 (unaudited) <i>HK\$'000</i>	As at 31 March 2012 (audited) <i>HK\$'000</i>	As at 31 March 2011 (audited) <i>HK\$'000</i>
Net assets value	2,142,918	1,951,365	2,501,824
Total assets	2,427,410	2,228,446	2,851,884
Total liabilities	284,492	277,081	350,060

As stipulated in the Annual Report 2012, we noted that the Group recorded turnover of approximately HK\$8.76 million for the year ended 31 March 2012, representing a decrease of approximately 89.34% as compared to that of 2011 (approximately HK\$82.16 million). The Group also recorded a comprehensive loss attributable to Shareholders of approximately HK\$624.42 million, representing an increase in comprehensive loss attributable to Shareholders of approximately 314.04% as compared to that of 2011 (approximately HK\$150.81 million). The consolidated net loss was mainly attributable to the significant realised and unrealised losses from securities trading business and share of loss of an associate, in which the Group has recorded the unrealised fair value losses on securities held for trading of approximately HK\$463.75 million for the year ended 31 March 2012, representing an increase in loss of approximately 460.47% as compared to that of 2011. (approximately HK\$82.74 million).

As stipulated in the Interim Report 2012, we noted that the Group recorded turnover of approximately HK\$29.22 million for the six months ended 30 September 2012. The Group also recorded fair value losses on investments and comprehensive loss attributable to Shareholders of approximately HK\$79.35 million and HK\$47.79 million respectively. As at 30 September 2012, the net assets, total assets and total liabilities of the Group were approximately HK\$2,142.92 million, HK\$2,427.41 million and HK\$284.49 million respectively.

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## LETTER FROM VINCO CAPITAL

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### Fund raising activities

During the past twelve months, we noted from the Letter from the Board that the Company conducted two fund-raising activities with total net proceeds of approximately HK\$287.3 million, which the Company raised (i) approximately HK\$239.2 million by a rights issue of 2,451,124,742 shares at HK\$0.10 each on the basis of 2 rights shares for every share held on 18 April 2012; and (ii) approximately HK\$48.1 million by issue of 188,548,057 shares to Willie International Holdings Limited.

Date of announcements	Fund raising activities	Net proceeds raised (approximately)	Proposed use of the net proceeds	Actual use of the net proceeds
19 January 2012	Rights issue of 2,451,124,742 shares at HK\$0.10 each on the basis of 2 rights shares for every share held on 18 April 2012	HK\$239.2 million	For general working capital with an amount of approximately HK\$5 million and substantially for: (a) providing funding support to the Group's securities brokerage business with an amount ranging from approximately HK\$91 million to HK\$131 million, (b) strategic investments in areas such as financial planning, insurance brokerage and corporate finance services with an amount of approximately HK\$10 million, and (c) investments in marketable securities for potential capital appreciation with an amount ranging from approximately HK\$92 million to HK\$132 million	Used as intended, except that only approximately HK\$3 million has been utilised for strategic investments in areas such as financial planning, insurance brokerage and corporate finance services, and the balance of HK\$7 million has been earmarked for such strategic investments but not yet utilised

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## LETTER FROM VINCO CAPITAL

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Date of announcements	Fund raising activities	Net proceeds raised (approximately)	Proposed use of the net proceeds	Actual use of the net proceeds
3 October 2011	Issue of 188,548,057 shares to Willie International Holdings Limited	HK\$48.1 million	For replenishment of the working capital of the Company as described in the Company's circular dated 30 November 2011	Used as intended

Save as abovementioned, the Company had not conducted any other fund raising exercise in the past twelve months immediately preceding the Latest Practicable Date.

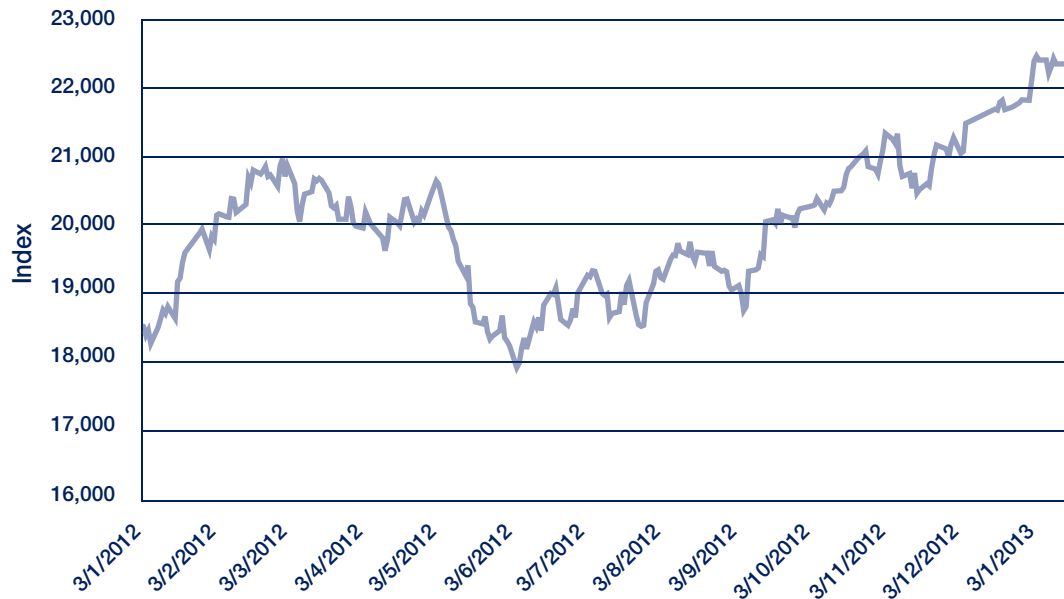
### **2. *Reasons for the Rights Issue and proposed use of proceeds***

As stated in the Letter from the Board, the Company intends to apply the estimated net proceeds of the Rights Issue to directly investing into marketable equity, equity-related and/or debt securities as the Company has done in the past, the Company will also actively explore the pros and cons of investing into third-party managed private equity funds, hedge funds and/or other types of funds. As the Group was principally engaged in the financial services sector and one of its principal activities was the trading of securities, thus the intended use of the estimated net proceeds from the Rights Issue to undertake proprietary trading in securities market is in line with the principal business activities of the Group.

The Company intends to apply the net proceeds from the Rights Issue to undertake proprietary trading activities and/or invest into third-party managed funds, with an amount of approximately HK\$102 million if the minimum net proceeds from the Rights Issue are raised or approximately HK\$138 million if the maximum net proceeds from the Rights Issue are raised with the remaining of approximately HK\$18 million for working capital purposes.

With reference to Bloomberg, upon the beginning of the year 2012 to the Latest Practicable Date, the closing price of the Hang Seng Index has been increased from 18,877.41 to 23,413.26, representing an approximately 24.03% increase over the period. Set out below exhibited the historical price movement of the Hang Seng Index since 3 January 2012, being the first trading date in 2012, to the Latest Practicable Date:

## Hang Seng Index



*Source from Bloomberg*

With reference to the above table, the Hang Seng Index was having an upward trend since June 2012 and it broke through the first half year high 2012 of 21,680 and continuously to top the annual high in late 2012. In addition, in line with the trend of the Hang Seng Index, the trading activities of the market was gradually becoming more active in late 2012 and the average daily turnover in September 2012 increased to approximately HK\$52,372 million, representing an increase of approximately 19.64% as compared to that of August 2012, while the average daily turnover in October, November and December 2012 were able to maintain at a level above HK\$50 billion. As discussed with the Directors, we concur together of the view that the recent trend and movements of Hang Seng Index may indicate that there is an improvement of the market sentiment in Hong Kong securities market since late 2012.

In addition, we have also analyzed the historical pricing movement of FTSE 100 and the S&P 500 for year ended 2012. We realized that both the indexes were having an upward trend since June 2012 and S&P 500 recorded its year high of 1,465.77 in the third quarter 2012. In accordance to such uptrend of the indexes, we are of the view that they show sign of improvement in the major global securities markets.

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## LETTER FROM VINCO CAPITAL

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Moreover, according to the Global Economic Prospects June 2012 published by the World Bank (the “GEP 2012”), the projected global economy will have a weak growth of 2.5% in 2012 before picking up to 3.0% and 3.3% in 2013 and 2014 respectively. In addition, as stated in the GEP 2012, despite increased volatility in international financial market, medium-term prospect remains strong for developing countries. The risk profile of emerging market, continues to improve compared with high-income countries, suggesting that they will continue to attract a growing share of international capital flow. With reference to the October 2012 World Economic Outlook published by the International Monetary Fund (the “WEO 2012”), fundamentals remain strong in emerging market and developing economies which high employment growth and solid consumption should continue to propel demand and, together with macro-economic policy easing, support healthy investment and growth.

We noted from the Letter from the Board that, apart from the proprietary trading, the Company also intends to use a portion of the net proceeds from the Rights Issue into third-party managed private funds. As stated in the Letter from the Board and advised by the Directors, the Company aims to look for diversity in proprietary trading activities. We are of the view that, through investing into different styles of third-party managed funds, the risk under the Company’s investment portfolio can be reduced by enhancing the diversification effect. In particular, many hedge funds are minimally correlated to the equity and debts markets so that invest in hedge funds can reduce the risk during the time of high market volatility. In addition, investing into third-party managed equity fund can also provide opportunity for the Company to gain access into the emerging countries’ securities market that the Company may relatively difficult to get into whereas it is in line with the intention of the Company to invest in the third-party managed fund focus in Asia-Pacific region and global markets. In addition, through investing into third-party managed fund, it allows the Company to leverage upon the expertise of outside fund managers in terms of, among others, their knowledge of comprehending the foreign securities market and their unique investment strategies.

As stated in the Letter from the Board, the Company has not identified any investment target, and has not determined the specific amount of investment to be made in any one company/fund and the timing of any such investment as at the Latest Practicable Date. After discussion with the Directors, we understand that the Directors are of the view that the resuscitation measures launched by the global power house nations have positioned these economies on a path of recovery and the Company intended to capture the potential growth in the securities market through undertaking proprietary trading activities and/or invest into third-party managed funds in order to reduce the net loss from trading of securities segment or even turn the loss into profit therefrom. As the global markets are showing signs of vibrancy, although the Company

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## LETTER FROM VINCO CAPITAL

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has not identified any investment target as at the Latest Practicable Date, the Right Issue enables the Company to enhance its capital base in order to capture the potential growth in the securities market which to be benefited from a return of the global economy towards normalcy.

As taking into consideration that (i) the net losses of approximately HK\$65 million for trading of securities segment for the six months ended 30 September 2012 has decreased by approximately 84.92% as compared to the corresponding period in the previous year (2011: approximately HK\$431 million); (ii) the recent trend and movement of Hang Seng Index, FTSE 100 and S&P 500 may show the sign of an improvement of the market sentiment in Hong Kong and other major global securities market; (iii) the projected improvement of the economies and financial condition in emerging countries as stated in the GEP 2012 and WEO 2012; (iv) the benefits of leveraging upon the expertise of outside fund managers in terms of, among others, their knowledge of comprehending the foreign securities market and their unique investment strategies and (v) the diversification effect can lower the risk of the investment portfolio of the Company, we are of the view that the intended use of proceeds are fair and reasonable and is in the interest of the Shareholders and the Company as a whole.

### ***3. Subscription pricing for the Rights Issue***

The Subscription Price is HK\$0.85 per Rights Share, payable in full upon acceptance of the relevant provisional allotment of Rights Shares and, where applicable, application for excess Rights Shares under the Rights Issue or when a transferee of nil-paid Rights Shares applies for the Rights Shares.

The Subscription Price represents:

- (a) a discount of approximately 51.43% to the adjusted closing price of HK\$1.75 per Adjusted Share (based on the closing price of HK\$0.175 per Share as quoted on the Stock Exchange on the Last Trading Day and adjusted for the effect of the Share Consolidation);
- (b) a discount of approximately 53.04% to the average adjusted closing price of approximately HK\$1.81 per Adjusted Share (based on the average closing price of HK\$0.181 per Share as quoted on the Stock Exchange for the five trading days ended on the Last Trading Day and adjusted for the effect of the Share Consolidation);
- (c) a discount of approximately 26.09% to the theoretical ex-rights price of approximately HK\$1.15 per Adjusted Share (based on the closing price of HK\$0.175 per Share as quoted on the Stock Exchange on the Last Trading Day and adjusted for the effect of the Share Consolidation);



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- (d) a discount of approximately 24.11% to the closing price of HK\$1.12 per Adjusted Share (based on the closing price of HK\$0.112 per Share as quoted on the Stock Exchange on the Latest Practicable Date and adjusted for the effect of the Share Consolidation); and
- (e) a discount of approximately 9.57% to the theoretical ex-rights price of approximately HK\$0.94 per Adjusted Share (based on the closing price of HK\$0.112 per Adjusted Share as quoted on the Stock Exchange on the Latest Practicable Date and adjusted for the effect of the Share Consolidation).

As stated in the Letter from the Board, the Subscription Price was determined after arm's length negotiations between the Company and the Underwriter with reference to the market price of the Shares under the prevailing market conditions. The Directors (including the independent non-executive Directors) consider the terms of the Rights Issue, including the Subscription Price which has been set as a discount as described above with an objective to encourage existing Shareholders to take up their entitlements so as to participate in the potential growth of the Company, to be fair and reasonable and in the best interests of the Company and the Shareholders as a whole. The net price per Rights Share (assuming no further issue of new Shares or Adjusted Shares or repurchase of Shares (save for the Facilitation Share Repurchase) on or before the Record Date) will be approximately HK\$0.81.

To assess as to the fairness and reasonableness of the Subscription Price, we set out the following analysis for illustrative purpose for the Independent Board Committee and the Independent Shareholders' consideration. To the best of our knowledge, we have identified and reviewed 21 rights issue (the "Market Comparables") by companies which are listed on the Main Board and Growth Enterprise Market of the Stock Exchange from 4 June 2012 up to and including the Last Trading Day (the "Review Period"), which is considered to be exhaustive, for comparison purpose. We are of the view that the Review Period being six months prior to and including the Last Trading Day would provide the recent relevant information on the market sentiment, which plays an important role in determining the subscription price of a rights issue in general. Shareholders and potential investors should note that the principal businesses of the Market Comparables and the business activities carried out by the Market Comparables are not identical to the Group and the terms under the rights issues of the Market Comparables may vary for companies with different financial standings, business performance and future prospects. Since the Market Comparables are the most recent rights issue transactions announced to the public, we consider that the Market Comparables could represent the recent trend of the rights issue transactions in the prevailing market condition and could provide a general reference for the terms of the Rights Issue. Set out below are the details of the rights issue of the 21 Market Comparables:

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Company name	Stock code	Date of announcement	Basis of entitlement	Underwriting commission (%)	Premium/ (discount) of the subscription price over/(to) the closing price on the respective last trading day (%)	Premium/ (discount) of the subscription price over/(to) the theoretical ex-right price (%)	Maximum Dilution
Asia Commercial Holdings Limited	104	27-Nov-12	3 for 1	2.00	(87.50)	(63.60)	75.00%
Willie International Holdings Limited	273	21-Nov-12	1 for 2	2.50	(41.34)	(31.97)	33.33%
Dragonite International Limited	329	20-Nov-12	1 for 1	2.50	(48.98)	(32.43)	50.00%
China Agri-Industries Holdings Limited	606	5-Nov-12	3-for-10	0.00	(31.38)	(25.98)	23.08%
Tack Fiori International Group Limited	928	2-Nov-12	1-for-2	2.50	(40.48)	(31.13)	33.33%
Qin Jia Yuan Media Services Company Limited	2366	2-Nov-12	1-for-1	2.50	(55.70)	(55.58)	50.00%
Esprit Holdings Limited	330	22-Oct-12	1-for-2	2.25	(35.70)	(27.00)	33.33%
National Arts Holdings Limited	8228	18-Oct-12	4-for-1	3.75	(81.13)	(46.24)	80.00%
Easyknit Enterprises Holdings Limited	616	11-Oct-12	5-for-1	1.00	(75.61)	(34.07)	83.33%
SIM Technology Group Limited	2000	5-Oct-12	1-for-2	2.00	(55.56)	(45.50)	33.33%
China Environmental Energy Investment Limited	986	4-Oct-12	1 for 1	2.50	(72.97)	(57.45)	50.00%
Goldin Financial Holdings Limited	530	27-Sep-12	11-for-10	2.50	37.18	14.81	52.38%
Pou Sheng International (Holdings) Limited	3813	21-Sep-12	1-for-4	0.00	3.40	2.70	20.00%

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## LETTER FROM VINCO CAPITAL

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Company name	Stock code	Date of announcement	Basis of entitlement	Underwriting commission (%)	Premium/ (discount) of the subscription price over/(to) the closing price on the respective last trading day (%)	Premium/ (discount) of the subscription price over/(to) the theoretical ex-right price (%)	Maximum Dilution
Daiwa Associate Holdings Limited	1037	17-Aug-12	1-for-4	0.00	(52.38)	(46.81)	20.00%
Easyknit Enterprises Holdings Limited	616	15-Aug-12	1-for-2	1.00	0.00	0.00	33.33%
Pacific Plywood Holdings Limited	767	10-Aug-12	2-for-1	1.95%,2.5%	(83.39)	(28.02)	66.67%
UDL Holdings Limited	620	6-Aug-12	1-for-3	2.50	(57.60)	(50.40)	25.00%
China Properties Investment Holdings Limited	736	25-Jul-12	1-for-2	3.00	(63.44)	(53.74)	33.33%
United Gene High-Tech Group Limited	399	25-Jun-12	3-for-10	5.00	(29.03)	(24.14)	23.08%
Bright Smart Securities & Commodities Group Limited	1428	25-Jun-12	1-for-2	3.84	(20.29)	(14.46)	33.33%
TLT Lottotainment Group Limited	8022	8-Jun-12	1-for-2	3.00	11.11	6.38	33.33%
			<b>Max.</b>	<b>5.00</b>	<b>37.18</b>	<b>14.81</b>	<b>83.33%</b>
			<b>Min.</b>	<b>0.00</b>	<b>(87.50)</b>	<b>(63.60)</b>	<b>20.00%</b>
			<b>Mean</b>	<b>2.20</b>	<b>(41.94)</b>	<b>(30.70)</b>	<b>42.14%</b>
<b>The Company</b>				<b>3.00%</b>	<b>(51.43)</b>	<b>(26.09)</b>	<b>66.67%</b>

*Source: The Stock Exchange*

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Based on the above table, we noted that (i) the subscription prices to the closing price on the respective last trading day of the Market Comparables ranged from a premium of approximately 37.18% to a discount of 87.50%, with an average at a discount of approximately 41.94%. The discount of the Subscription Price to the closing price of the Shares on the Last Trading Day is approximately 51.43%, which represents a higher discount than the average and falls within the range of the Market Comparables; and (ii) the subscription prices to the theoretical ex-rights prices per share based on the respective last trading day in relation to the Market Comparables ranged from a premium of 14.81% to a discount of 63.60%, with an average at a discount of approximately 30.70%. The discount of the Subscription price to the theoretical ex-rights price per Share of approximately 26.09%, based on the closing price of the Shares on the Last Trading Day, represents a lower discount than the average and falls within the range of the Market Comparables. As the discount represented in the Subscription Price is not at the top end of the range of the Market Comparables and it is closed to the average of the Market Comparables, we are of the view that the Subscription Price is fair and reasonable.

### *Underwriting fee*

Pursuant to the terms and conditions of the Underwriting Agreement, the Underwriter will fully underwrite the Rights Shares with commission fee of 3% of the aggregate Subscription Price multiplied by the number of all Rights Shares. As disclosed in the Letter from the Board, the Underwriter is a wholly-owned subsidiary of HEC, and as at the Latest Practicable Date, the Group owns an approximately 19.64% shareholding interest in HEC. According to the disclosure of interests of the Company on the Stock Exchange, HEC holds 9.52% shareholding interest in the Company. To the best of the knowledge, information and belief of the Directors, after having made all reasonable enquiries, the Underwriter and its ultimate beneficial owners are Independent Third Parties.

To assess the fairness and the reasonableness of the underwriting commission under the Underwriting Agreement, we have relied on the information as set out above of Market Comparables during the Review Period. As referring to the Market Comparables, the maximum, minimum and the mean commission fee of the Market Comparables are 5.00%, nil and 2.22% respectively. The underwriting commission under the Underwriting Agreement of 3% falls within the range but higher than the mean of the Market Comparables. As the underwriting commission under the Underwriting Agreement of 3% is not at the top end of the range of the Market Comparables and the underwriting commission was determined after arm's length negotiations between the Company and the Underwriter with reference to the prevailing market rate, we concur with the view of the Directors that the commission fee of 3% is on normal commercial terms and is fair and reasonable.

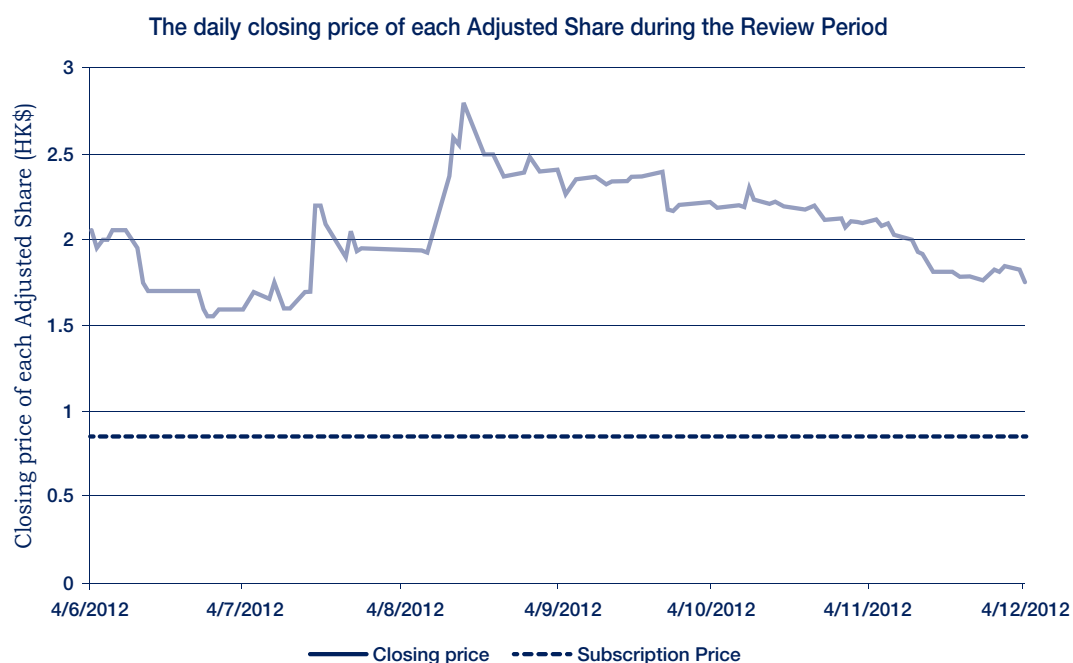
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## LETTER FROM VINCO CAPITAL

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### *Historical Share's prices and trading volume of Shares during the Review Period*

We have reviewed the movements in the trading price of the Shares during the Review Period as shown in the table below. Given the Shares Consolidation, we have adjusted the historical Share's prices in the same manner as the Share Consolidation in order to maintain the consistency of the Share's prices throughout the Review Period. Set out below are the graph of daily closing price of the Adjusted Share during the Review Period:



*Source: Website of the Stock Exchange*

During the Review Period, the highest and lowest closing prices of the Adjusted Shares were HK\$2.80 and HK\$1.55 respectively as quoted on the Stock Exchange. The average closing price of the Adjusted Shares during the Review Period was approximately HK\$2.06. The Subscription Price of HK\$0.85 represents (i) a discount of approximately 69.64% to the highest closing price; (ii) a discount of approximately 58.74% to the average closing price; and (iii) a discount of approximately 45.16% over the lowest closing price during the Review Period.

In addition, set out below is the average daily trading volume per month and the respective percentage of the average trading volume to the total number of issued shares at the beginning of each calendar month during the Review Period:

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## LETTER FROM VINCO CAPITAL

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<b>Month</b>	<b>Average daily trading volume (Note 1) Number of Shares</b>	<b>% of the average daily trading volume to the total number of issued Shares (Note 2) (%)</b>
<b>2012</b>		
June	8,706,538	1.18%
July	38,970,909	5.30%
August	25,730,717	3.50%
September	14,386,100	1.96%
October	12,253,963	1.67%
November	9,781,867	1.33%
December (up to and including the Latest Trading Day)	8,141,700	1.11%

*Note 1:* On 18 July 2012, the Group has completed share consolidation from 5 shares into 1 share. Thus, the daily trading volume prior to the completion of such share consolidation has been adjusted accordingly in order to maintain the consistency.

*Note 2:* Calculated based on the daily trading volume

*Source: Website of the Stock Exchange*

According to the set out above, the average daily trading volume in the Shares during the Review Period were relatively thin, representing less than approximately 5% of the total Shares in issue, except for the month of July 2012 where there had been unusual movements on the price and trading volume of the Shares. We are of the view that the liquidity in trading of the Shares under the Review Period is thin during the Review Period.

In order to increase the attractiveness of a rights issue exercise, it is the market practice that the subscription price of a rights issue represents a discount to the prevailing market prices of the relevant shares. Hence, we are of the view that the Subscription Price being lower than the prevailing market prices of the Shares is in line with the normal market practice.

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Having considered (i) the low liquidity in the trading of the Shares under the Review Period; and (ii) the common practice by the Market Comparables to set their subscription prices of their rights issues at a discount to the prevailing market prices of the relevant shares, we concur with the Directors' view that the discount would encourage Shareholders to participate in the Rights Issue and accordingly maintain their shareholdings in the Company and participate in the future growth of the Group and are of the view that the Subscription Price of the Rights Issue is in line with market practice and is justifiable.

#### **4. *Application for excess Rights Shares***

As stated in the Letter from the Board, Qualifying Shareholders or transferees of nil-paid Rights Shares may apply, by way of excess application, for any unsold entitlements of the Non-Qualifying Shareholders and for any Rights Shares provisionally allotted but not accepted. The Directors will allocate the excess Rights Shares at their discretion on a fair and equitable basis on (i) preference will be given to applications for less than a board lot of Rights Shares where they appear to the Directors that such applications are made to round up odd-lot holdings to whole-lot holdings and that such applications are not made with the intention to abuse this mechanism; and (ii) subject to availability of excess Rights Shares after allocation under principle (1) above, the excess Rights Shares will be allocated based on a sliding scale with reference to the number of the excess Rights Shares applied for (i.e. applications for a smaller number of Rights Shares are allocated with a higher percentage of successful application; whereas applications for a larger number of Rights Shares are allocated with a smaller percentage of successful application), and with board lot allocations to be made on a best effort basis.

After reviewing the circulars of the Market Comparables, we noted that the above practices are in line with market practice. Based on the foregoing, we are of the view that such arrangement is fair and reasonable to the Company and the Independent Shareholders as a whole.

#### **5. *Termination of the Underwriting Agreement***

It also should be noted that the Rights Issue would not proceed if the Underwriter exercise its termination rights under the Underwriting Agreement. Details of the provisions granting the Underwriter such termination rights are included in the Letter from the Board. After reviewing the circulars of the Market Comparables, we consider such provisions are on normal commercial terms and in line with the market practice.

## LETTER FROM VINCO CAPITAL

### 6. *Dilution effect of the Rights Issue on shareholding interests*

Set out below is the shareholding structure of the Company after the Rights Issue has become effective:

#### *Scenario 1:*

Assuming no further issue of new Shares or Adjusted Shares and no repurchase of Shares (save for the Facilitation Share Repurchase) and assuming HEC's shareholding in the Company does not change on or before the Record Date:

Name of Shareholders	As at the Latest Practicable Date		Immediately after the Capital Reorganisation becoming effective but before completion of the Rights Issue		Immediately after completion of the Rights Issue assuming all the Qualifying Shareholders take up their respective allotment of Rights Shares in full		Immediately after completion of the Rights Issue assuming no Qualifying Shareholder takes up any of the Rights Shares and the Underwriter takes up the Rights Shares to the maximum extent	
	Number of Shares	Approximate %	Number of Shares	Approximate %	Number of Shares	Approximate %	Number of Shares	Approximate %
<b>Substantial Shareholder</b>								
Willie International Holdings Limited	113,128,834	15.38	11,312,883	15.38	33,938,649	15.38	11,312,883	5.13
<b>Directors</b>								
Andrew Liu (Note 1)	124,094,235	16.88	12,409,423	16.88	37,228,269	16.88	12,409,423	5.63
Au Shuk Yee, Sue (Note 2)	819,480	0.11	81,948	0.11	245,844	0.11	81,948	0.04
Chow Mun Yee (Note 2)	672,000	0.09	67,200	0.09	201,600	0.09	67,200	0.03
Gary Drew Douglas (Note 3)	472,000	0.06	47,200	0.06	141,600	0.06	47,200	0.02
Frank H. Miu (Note 3)	472,000	0.06	47,200	0.06	141,600	0.06	47,200	0.02
<b>Underwriter and its associates (including HEC), sub-underwriters and subscribers procured by them</b> (Note 4)	70,000,054	9.52	7,000,005	9.52	21,000,015	9.52	154,067,489	69.84
<b>Public Shareholders</b>	425,678,819	57.90	42,567,883	57.90	127,703,649	57.90	42,567,883	19.29
<b>Total</b>	<b>735,337,422</b>	<b>100.00</b>	<b>73,533,742</b>	<b>100.00</b>	<b>220,601,226</b>	<b>100.00</b>	<b>220,601,226</b>	<b>100.00</b>



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### Scenario 2:

Assuming (i) no repurchase of Shares (save for the Facilitation Share Repurchase); (ii) the maximum number of Options that can be issued pursuant to the Scheme Mandate are granted and exercised in full; and (iii) issue of new Shares or Adjusted Shares upon fully utilizing the General Mandate; and (iv) HEC's shareholding in the Company does not change on or before the Record Date:

Name of Shareholders	As at the Latest Practicable Date		Immediately after the Capital Reorganisation becoming effective but before completion of the Rights Issue		Assuming (i) no repurchase of Shares (save for the Facilitation Share Repurchase); (ii) the maximum number of Options that can be issued pursuant to the Scheme Mandate are granted and exercised in full; and (iii) issue of new Shares or Adjusted Shares upon fully utilizing the General Mandate after the Capital Reorganisation becoming effective but prior to the Record Date		Immediately after completion of the Rights Issue assuming all the Qualifying Shareholders take up their respective allotment of Rights Shares in full		Immediately after completion of the Rights Issue assuming no Qualifying Shareholder takes up any of the Rights Shares and the Underwriter takes up the Rights Shares to the maximum extent	
	Number of Shares	Approximate %	Number of Shares	Approximate %	Number of Shares	Approximate %	Number of Shares	Approximate %	Number of Shares	Approximate %
<b>Substantial Shareholder</b>										
Willie International Holdings Limited	113,128,834	15.38	11,312,883	15.38	11,312,883	11.83	33,938,649	11.83	11,312,883	3.94
<b>Directors</b>										
Andrew Liu (Note 1)	124,094,235	16.88	12,409,423	16.88	12,409,423	12.98	37,228,269	12.98	12,409,423	4.33
Au Shuk Yee, Sue (Note 2)	819,480	0.11	81,948	0.11	81,948	0.09	245,844	0.09	81,948	0.03
Chow Mun Yee (Note 2)	672,000	0.09	67,200	0.09	67,200	0.07	201,600	0.07	67,200	0.02
Gary Drew Douglas (Note 3)	472,000	0.06	47,200	0.06	47,200	0.05	141,600	0.05	47,200	0.02
Frank H. Miu (Note 3)	472,000	0.06	47,200	0.06	47,200	0.05	141,600	0.05	47,200	0.02
<b>Underwriter and its associates (including HEC), sub-underwriters and subscribers procured by them (Note 4)</b>										
	70,000,054	9.52	7,000,005	9.52	7,000,005	7.32	21,000,015	7.32	198,187,733	69.11
<b>Other Shareholders</b>										
Maximum number of new Adjusted Shares issued under the Scheme Mandate and the General Mandate	-	-	-	-	22,060,122	23.08	66,180,366	23.08	22,060,122	7.69
Other public Shareholders	425,678,819	57.90	42,567,883	57.90	42,567,883	44.53	127,703,649	44.53	42,567,883	14.84
<b>Total</b>	<b>735,337,422</b>	<b>100.00</b>	<b>73,533,742</b>	<b>100.00</b>	<b>95,593,864</b>	<b>100.00</b>	<b>286,781,592</b>	<b>100.00</b>	<b>286,781,592</b>	<b>100.00</b>

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*Notes:*

1. Mr. Andrew Liu is a non-executive Director.
2. Ms. Au Shuk Yee, Sue and Ms. Chow Mun Yee are executive Directors.
3. Mr. Gary Drew Douglas and Mr. Frank H. Miu are independent non-executive Directors.
4. As at the Latest Practicable Date, the Underwriter is a wholly-owned subsidiary of HEC. Therefore the Underwriter and its associates (including HEC) will abstain from voting on the proposed ordinary resolution approving the Rights Issue at the EGM.

The Independent Shareholders who are Qualifying Shareholders should note that, should they decide to subscribe for their full provisional allotment entitlements of the Rights Shares, under the Scenario 1, there would not be any dilution effect on their shareholding interests in the Company. However, we would like to draw the Independent Shareholders' attention to the fact that, for those Independent Shareholders who do not wish to take up all or part of their provisional allotment entitlements to the Rights Shares, their corresponding interest in the Company will be diluted. If all the Qualifying Shareholders (other than the Underwriter) decide not to take up the provisional allotments of the Rights Issue and the Underwriter has taken up all the provisional allotments in its capacity as the Underwriter, the percentage of shareholding of the other public Shareholders will be reduced from approximately 57.90% to approximately 19.29% in case of no issue of new Shares or repurchase of Shares on or before the Record Date as shown in Scenario 1 or to approximately 14.84% in case of issue of new Shares upon exercising the Options in full and further issue of new Shares or Adjusted Shares upon fully utilizing the General Mandate or no repurchase of Shares on or before the Record Date as shown in Scenario 2.

As the Rights Issue is on the basis of two rights shares for every adjusted share, the maximum dilution effect towards the shareholding interest of the Qualifying Shareholders is approximately 66.67%. After reviewing the Market Comparables as stated above, the maximum dilution effect of the Market Comparables ranged from approximately 20.00% to approximately 83.33%, and has an average of approximately 42.14%. Having considered the following:

- (i) the maximum dilution effect of the Rights Issue falls within the range of those of the Market Comparables whereas it is not at the top end of those of the Market Comparables;
- (ii) Qualifying Shareholders have their choice whether to accept the Rights Issue or not;

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- (iii) the discount representing in the Subscription Price to the market price can encourage existing Shareholders to participate in the Rights Issue and the future growth of the Company;
- (iv) Qualifying Shareholders have the opportunity to realize their nil-paid rights to subscribe for the Rights Shares in the market; and
- (v) those Qualifying Shareholders who choose to accept the Rights Issue in full can maintain their respective existing shareholding interests in the Company after the Rights Issue,

we are of the view that the potential dilution effect towards the shareholding interests of the Qualifying Shareholders if they choose to forsake their nil-paid rights is reasonable.

### **7. *Arrangement of the Overseas Shareholders***

We have reviewed the arrangements of the Overseas Shareholders regarding the Rights Issue. We noted that the Directors are of the opinion that it is necessary or expedient not to offer the Rights Shares to the Overseas Shareholders on account either of the legal restrictions under the laws of the relevant place(s) or the requirements of the relevant regulatory body or stock exchange in that(those) place(s), the Rights Issue will not be available to such Overseas Shareholders. As such, the Company will send copies of the Prospectus to the Non-Qualifying Shareholders for their information only, but will not send PAL and EAF to them.

As stated in the Letter from the Board, there is no Overseas Shareholder and the Company has not yet made any enquires to the legal advisors as there is no Overseas Shareholder as at the Latest Practicable Date. We noted from other companies listed in the Main Board and the GEM Board of Stock Exchange that they have the similar arrangement in regards to their overseas shareholders when proposing rights issue.

### **8. *Alternatives***

As per the discussion with the Directors and as stated in the Letter from the Board, the Board has considered other fund raising methods such as debt financing, placing of new shares and open offer. After taking into account that:

- (i) the Group is expected that it would find it difficult to obtain bank borrowings with favourable terms under the current market condition and debt financing will increase the Group's gearing ratio, debt-servicing costs and subject the Group to repayment obligations;

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## LETTER FROM VINCO CAPITAL

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- (ii) the open offer does not have nil-paid rights trading while rights issue would allow those Shareholders who do not want to participate in the fund-raising to dispose of their rights shares entitlements in the market in nil-paid form;
- (iii) placing of new Shares without first offering to the existing Shareholders the opportunity to participate would result in a dilution of shareholding interests of the existing Shareholders, while rights issue allows the existing Shareholders to participate in future development of the Group on equal terms; and
- (iv) the Rights Issue allows trading of nil-paid rights for the Qualifying Shareholders who would like to increase their shareholdings in the Company by acquiring nil-paid rights in the market,

we concur with the Directors that conducting Right Issue for fund raising is fair and reasonable and in the interests of the Company and the Independent Shareholders as a whole.

### **9. *Financial effects of the Rights Issue***

#### *a) Net tangible assets*

With reference to the Interim Report 2012, the unaudited net tangible assets of the Group attributable to the shareholders was approximately HK\$2,142.58 million as at 30 September 2012. After taking the net proceeds from the Rights Issue into account, the estimated unaudited net tangible assets of the Group will increase to not less than approximately HK\$2,262.13 million to not more than HK\$2,298.50 million. We noted that the proposed Rights Issue should enhance the net tangible asset of the Group. However, the Shareholders should note that the total number of shares after the Capital Reorganisation and Rights Issue will be increased from 73,533,742 Adjusted Shares to not less than 220,601,226 Adjusted Shares and not more than 286,781,592 Adjusted Shares. After the Capital Reorganisation, the unaudited net tangible asset per Adjusted Shares will be approximately HK\$29.14. Upon the completion of the Rights Issue, the unaudited net tangible asset per Adjusted Shares will be decreased to approximately HK\$10.25 and HK\$8.01 respectively.

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## LETTER FROM VINCO CAPITAL

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b) *Gearing ratio (total borrowings/total equity)*

According to the Interim Report 2012, the gearing ratio of the Group was approximately 13.01% as at 30 September 2012. Immediately after completion of the Rights Issue, assuming the total borrowings of the Group would remain unchanged whereas the shareholders' equity of the Group would increase by not less than approximately HK\$119.5 million to not more than approximately HK\$155.9 million, the gearing ratio of the Group would be improved to approximately 12.32% and 12.13% respectively.

c) *Working capital*

With reference to the Interim Report 2012, the working capital of the Group was approximately HK\$1,095.61 million as at 30 September 2012. As stated in the Letter from the Board, the Company intends to apply the remaining net proceeds of approximately HK\$18 million from the Rights Issue after the proprietary trading activities and/or invest into third-party managed funds. Therefore, in this regard, we are of the view that the completion of the Rights Issue will have a positive effect on the working capital whereas improving the liquidity position of the Group.

Based on the foregoing, the Rights Issue will enhance the net assets value of the Group and improve the liquidity position of the Group. Although the Group has relatively low gearing ratio and high working capital, we consider that it is prudent for the Group to have a stronger capital base and additional flexibility in order to equip the Group with sufficient financial capability when investment opportunities arises, so as to maximize Shareholders' interest in the long run. Hence, we are of the view that the Rights Issue is in the interest of the Company and the Independent Shareholders as a whole.

### D. CONCLUSION

Having taken into consideration of the above principal factors and reasons, we are of the view that the terms of Rights Issue are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned and the Rights Issue is in the interests of the Company and the Independent Shareholders as a whole. Accordingly, we recommend the Independent Board Committee to advise the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the EGM to approve the Rights Issue.

Yours faithfully,  
For and on behalf of  
**Grand Vinco Capital Limited**  
**Alister Chung**  
*Managing Director*

### 1. THREE-YEAR FINANCIAL INFORMATION

Financial information of the Group for each of the three years ended 31 March 2010, 2011 and 2012 are disclosed in the annual reports of the Company for the years ended 31 March 2010 (pages 31 to 166), 2011 (pages 43 to 214) and 2012 (pages 25 to 131) respectively, which are published on both the website of the Stock Exchange ([www.hkex.com.hk](http://www.hkex.com.hk)) and the website of the Company ([www.freeman279.com](http://www.freeman279.com)). The auditors of the Company have not issued any qualified opinion on the Group's financial statements for the financial years ended 31 March 2010, 2011 and 2012.

### 2. UNAUDITED INTERIM RESULTS

The unaudited condensed consolidated financial statements of the Company for the six months ended 30 September 2012 together with the relevant notes to the accounts are disclosed in the interim report of the Company for the six months ended 30 September 2012 (pages 6 to 31), which are published on both the website of the Stock Exchange ([www.hkex.com.hk](http://www.hkex.com.hk)) and the website of the Company ([www.freeman279.com](http://www.freeman279.com)).

### 3. INDEBTEDNESS

As at the close of business on 30 November 2012, being the latest practicable date for the purpose of this statement of indebtedness prior to the printing of this circular, the Group had borrowings amounting to approximately HK\$329.9 million.

The following table illustrates the Group's indebtedness as at the close of business on 30 November 2012:

	<i>HK\$'000</i>
<i>Current</i>	
Margin loans, secured	152,585
Other loans, secured	177,336
	<hr/>
Total borrowings	<u>329,921</u>

As at the close of business on 30 November 2012, the Group's total borrowings were secured by certain equity investments at fair value through profit or loss and an available-for-sale investment held by the Group with an aggregate carrying value of approximately HK\$887.8 million.

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 November 2012.

The Directors are not aware of any material adverse changes in the Group's indebtedness position and contingent liabilities since 30 November 2012.

#### **4. WORKING CAPITAL**

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

#### **5. MATERIAL ADVERSE CHANGE**

As at the Latest Practicable Date, save as disclosed in the interim report for the six months ended 30 September 2012 where the Company recorded a net loss of approximately HK\$39.7 million which was mainly attributable to the significant unrealised fair value losses on securities held for trading of approximately HK\$79.4 million and share of net losses of associates of approximately HK\$22.6 million, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 31 March 2012, being the date to which the latest published audited consolidated financial statements of the Group were made up.

#### **6. BUSINESS REVIEW FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2012**

##### **Operation review**

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

##### **Results review**

The Group recorded a net loss of approximately HK\$39,684,000 for the six months ended 30 September 2012 (the "Period") as compared to net loss of approximately HK\$400,378,000 in the corresponding period of last year. The net loss incurred by the Group for the Period was mainly attributable to the significant unrealised fair value losses on securities held for trading and share of net losses of associates. Loss per share of the Company for the Period was 5.55 HK cents as compared to loss per share of 156.58 HK cents (restated) for the same period in 2011.

**Liquidity, financial resources and capital structure**

The Group financed its asset portfolio by internally generated cash resources and fund raising exercises. As at 30 September 2012, the net current assets of the Group amounted to approximately HK\$1,095,611,000 (As at 31 March 2012: approximately HK\$896,843,000) with cash and bank balances of approximately HK\$143,613,000 (As at 31 March 2012: approximately HK\$235,881,000).

As at 30 September 2012, the Group had secured short-term borrowings of approximately HK\$278,852,000 (As at 31 March 2012: HK\$268,142,000). The gearing ratio of the Group was decreased to 13.1% as compared to 13.9% as at 31 March 2012 (calculated on the basis of total borrowings over shareholders' funds). Taking into account the amount of liquid assets on hand and banking facilities available, the Group has sufficient working capital for its ongoing operational requirements.

The unaudited consolidated net asset value per share of the Company as at 30 September 2012 was HK\$2.91 (As at 31 March 2012: HK\$1.59). The consolidated net asset value per share is calculated based on the net assets of the Group as at 30 September 2012 of approximately HK\$2,142,918,000 (As at 31 March 2012: approximately HK\$1,951,365,000) and the total number of 735,337,422 shares (As at 31 March 2012: 1,225,562,371 shares) in issue as at that date.

**7. BUSINESS AND TRADING PROSPECTS**

Several 2012 third-quarter financial reviews quoted that there has been a marked improvement in global financial market sentiment during the third quarter, largely reflecting the European Central Bank's plans to intervene in sovereign debt markets to help preserve the euro area monetary union. There was improvement in the pricing of a range of risk assets, including declines in spreads on southern euro area sovereign bonds and increases in euro area bank share prices.

Also, European authorities have announced a number of measures in recent months to help alleviate market strains and keep the euro area intact. In light of these, the Company maintains positive outlook on the financial services sector. With the funding to be raised through the proposed Rights Issue, the Company could devote more resources to undertake proprietary trading activities and/or invest into third-party managed funds in order to capture potential upside.



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

### Introduction

The following unaudited pro forma statement of adjusted consolidated net tangible assets of the Group has been prepared by the Directors in accordance with paragraph 29 of Chapter 4 of the Listing Rules to illustrate the effect of the proposed rights issue on the basis of two Rights Shares for every Adjusted Share held on the Record Date (the “Rights Issue”) on the unaudited consolidated net tangible assets of the Group as if the Rights Issue had been undertaken and completed on 30 September 2012.

The unaudited pro forma statement of adjusted consolidated net tangible assets of the Group is prepared based on the unaudited consolidated net tangible assets of the Group as at 30 September 2012, as extracted from the published unaudited interim results of the Group for the six months ended 30 September 2012 set out in the interim report of the Company for the six months ended 30 September 2012 (pages 6 to 31), which are published on both the website of the Stock Exchange ([www.hkex.com.hk](http://www.hkex.com.hk)) and the website of the Company ([www.freeman279.com](http://www.freeman279.com)), after incorporating the unaudited pro forma adjustments described in the accompanying notes.

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

	Unaudited consolidated net tangible assets of the Group attributable to the Shareholders as at 30 September 2012 <i>(Note 3)</i> HK\$'000	Estimated net proceeds from the Rights Issue <i>(Note 4)</i> HK\$'000	Unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to the Shareholders immediately after completion of the Rights Issue <i>(Note 7)</i> HK\$'000	Unaudited consolidated net tangible assets per Adjusted Share attributable to the Shareholders as at 30 September 2012 <i>(Note 5)</i> HK\$	Unaudited pro forma adjusted consolidated net tangible assets per Adjusted Share attributable to the Shareholders immediately after completion of the Rights Issue <i>(Note 6)</i> HK\$
<b>Scenario I</b>					
Rights Issue of 147,067,484 Rights Shares <i>(Note 1)</i>	2,142,579	119,547	2,262,126	29.14	10.25
<b>Scenario II</b>					
Rights Issue of 191,187,728 Rights Shares <i>(Note 2)</i>	2,142,579	155,925	2,298,504	29.14	8.01

*Notes:*

1. The Rights Issue of 147,067,484 Rights Shares is based on 73,533,742 Adjusted Shares in issue (assuming no further issue of new Shares or repurchase of Shares (save for the Facilitation Share Repurchase) on or before the Record Date).
2. The Rights Issue of 191,187,728 Rights Shares is based on 95,593,864 Adjusted Shares in issue (assuming (i) no repurchase of Shares (save for the Facilitation Share Repurchase); (ii) the maximum number of Options that can be issued pursuant to the Scheme Mandate are granted and exercised in full; and (iii) issue of new Shares or Adjusted Shares upon fully utilising the General Mandate on or before the Record Date).
3. The unaudited consolidated net tangible assets of the Group attributable to the Shareholders as at 30 September 2012 is arrived at based on the unaudited consolidated net assets of the Group as at 30 September 2012 of approximately HK\$2,142,918,000 less intangible asset of approximately HK\$339,000 as set out in the interim report of the Company for the six months ended 30 September 2012 (pages 6 to 31), which are published on both the website of the Stock Exchange ([www.hkex.com.hk](http://www.hkex.com.hk)) and the website of the Company ([www.freeman279.com](http://www.freeman279.com)).
4. The estimated net proceeds from the Rights Issue is calculated based on 147,067,484 Rights Shares for Scenario I or 191,187,728 Rights Shares for Scenario II to be issued at the subscription price of HK\$0.85 per Rights Share. For Scenario I, the estimated net proceeds are arrived at based on the gross proceeds from the Rights Issue of approximately HK\$125,007,000 less the estimated related expenses of approximately HK\$5,460,000. For Scenario II, the estimated net proceeds are arrived at based on the gross proceeds from the Rights Issue of approximately HK\$162,510,000 less the estimated related expenses of approximately HK\$6,585,000.
5. The number of Adjusted Shares used for the calculation of unaudited consolidated net tangible assets per Adjusted Share is 73,533,742 as at 30 September 2012.
6. The unaudited pro forma adjusted consolidated net tangible assets per Adjusted Share immediately after completion of the Rights Issue is calculated based on (i) 220,601,226 Shares for Scenario I which comprise 73,533,742 Adjusted Shares in issue before the Rights Issue and 147,067,484 Rights Shares expected to be issued on the completion of the Rights Issue; or (ii) 286,781,592 Shares for Scenario II which comprise 95,593,864 Adjusted Shares in issue before the Rights Issue and 191,187,728 Rights Shares expected to be issued on the completion of the Rights Issue.
7. No adjustment has been made to reflect any trading results or other transactions of the Group entered into subsequent to 30 September 2012. The unaudited pro forma adjusted consolidated net tangible assets does not take into account the changes in net tangible assets arising from (i) the maximum number of Options that can be issued pursuant to the Scheme Mandate are granted and exercised in full; and (ii) the issue of new Shares or Adjusted Shares upon fully utilising the General Mandate on or before Record Date.

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

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



17 January 2013

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

Dear Sirs

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

We report on the unaudited pro forma financial information of Freeman Financial Corporation Limited (the “Company”) and its subsidiaries (the “Group”), set out on pages 60 and 61 in Appendix II to the circular of the Company dated 17 January 2013 (the “Circular”), which has been prepared by the directors of the Company, for illustrative purposes only, to provide information about how the Company’s proposed rights issue at a subscription price of HK\$0.85 per rights share, on the basis of two rights shares for every share held (as adjusted when the Company’s capital reorganisation becomes effective), to raise approximately HK\$125.0 million to HK\$162.5 million before expenses (the “Proposed Rights Issue”) might have affected the relevant financial information presented in respect of the Group immediately after the completion of the Proposed Rights Issue. The basis of preparation of the unaudited pro forma financial information is set out on pages 60 and 61 in Appendix II to the Circular.

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

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

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

**Basis of Opinion**

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

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

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

The unaudited pro forma financial information is for illustrative purposes only, based on the judgements and assumptions of the directors of the Company, and, because of its hypothetical nature, does not provide any assurance or indication that any event will take place in the future and may not be indicative of the financial position of the Group as at 30 September 2012 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 enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

## 2. SHARE CAPITAL

The authorised and issued share capital of the Company (i) as at the Latest Practicable Date; (ii) immediately following the completion of the Rights Issue (assuming the Capital Reorganisation has become effective and no further issue of new Shares or Adjusted Shares or repurchase of Shares (save for the Facilitation Share Repurchase) on or before the Record Date); and (iii) immediately following the completion of the Rights Issue (assuming (a) the Capital Reorganisation has become effective, (b) no repurchase of Shares (save for the Facilitation Share Repurchase), (c) the maximum number of Options that can be issued pursuant to the Scheme Mandate are granted and exercised in full, and (d) issue of new Shares or Adjusted Shares upon fully utilizing the General Mandate on or before the Record Date) were as follows:

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

*Authorised:* *HK\$*

<u>100,000,000,000</u> Shares of HK\$0.05 each	<u>5,000,000,000.00</u>
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*Issued and fully paid:*

<u>735,337,422</u> Shares	<u>36,766,871.10</u>
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### (ii) Immediately following the completion of the Rights Issue (assuming the Capital Reorganisation has become effective and no further issue of new Shares or Adjusted Shares or repurchase of Shares (save for the Facilitation Share Repurchase) on or before the Record Date)

*Authorised:* *HK\$*

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

73,533,742	Adjusted Shares in issue before completion of the Rights Issue	735,337.42
147,067,484	Rights Shares to be allotted and issued under the Rights Issue	1,470,674.84
<u>220,601,226</u>	Adjusted Shares in issue immediately after completion of the Rights Issue	<u>2,206,012.26</u>

- (iii) **Immediately following the completion of the Rights Issue (assuming (a) the Capital Reorganisation has become effective, (b) no repurchase of Shares (save for the Facilitation Share Repurchase), (c) the maximum number of Options that can be issued pursuant to the Scheme Mandate are granted and exercised in full, and (d) issue of new Shares or Adjusted Shares upon fully utilizing the General Mandate on or before the Record Date)**

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

*Issued and fully paid and to be issued:*

73,533,742	Adjusted Shares in issue before completion of the Rights Issue	735,337.42
7,353,374	Adjusted Shares to be issued upon the granting and exercise in full of the maximum number of Options pursuant to the Scheme Mandate	73,533.74
14,706,748	Adjusted Shares to be issued upon fully utilizing the General Mandate	147,067.48
191,187,728	Rights Shares to be allotted and issued under the Rights Issue	1,911,877.28
<u>286,781,592</u>	Adjusted Shares in issue immediately after completion of the Rights Issue	<u>2,867,815.92</u>

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

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

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

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

### 3. DISCLOSURE OF INTERESTS BY DIRECTORS

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

#### Long positions in the Shares

Name of Directors	Capacity	Number of Shares	Approximate percentage of shareholding
Andrew Liu	Beneficial owner	124,094,235	16.88% (Note)
Au Shuk Yee, Sue	Beneficial owner	819,480	0.11% (Note)
Chow Mun Yee	Beneficial owner	672,000	0.09% (Note)



<b>Name of Directors</b>	<b>Capacity</b>	<b>Number of Shares</b>	<b>Approximate percentage of shareholding</b>
Gary Drew Douglas	Beneficial owner	472,000	0.06% <i>(Note)</i>
Frank H. Miu	Beneficial owner	472,000	0.06% <i>(Note)</i>

*Note:*

The percentage of shareholding in the Company is calculated on the basis of 735,337,422 Shares in issue as at the Latest Practicable Date.

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

#### **4. INTERESTS OF SUBSTANTIAL SHAREHOLDERS**

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

**Long positions in the Shares**

<b>Name of substantial shareholders</b>	<b>Capacity</b>	<b>Number of shares/ underlying shares held</b>	<b>Approximate percentage of shareholding</b>
Willie International Holdings Limited	Beneficial Owner	113,128,834	15.38% (Note 2)
HEC (Note 1)	Interest of controlled corporation	70,000,054	9.52% (Note 2)

*Note 1:* These shares are held by Murtsa Capital Management Limited, a wholly-owned subsidiary of Hennabun Development Limited, whereas Hennabun Development Limited is wholly-owned by HEC.

*Note 2:* The percentage of shareholding in the Company is calculated on the basis of 735,337,422 Shares in issue as at the Latest Practicable Date.

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

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

- (i) As at the Latest Practicable Date, none of the Directors has, or has had, any direct or indirect interest in any assets which have been acquired, disposed of or leased to or which are proposed to be acquired, disposed of or leased to the Company or any of their respective subsidiaries, respectively, since 31 March 2012, the date to which the latest published audited financial statements of the Group were made up.
- (ii) There is no contract or arrangement entered into by any member of the Group, subsisting as at the Latest Practicable Date in which any of the Directors is materially interested and which is significant in relation to the business of the Group as a whole.

**6. EXPERTS**

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

<b>Name</b>	<b>Qualification</b>
Vinco Capital	a licensed corporation for Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO
Ernst & Young	Certified Public Accountants

As at the Latest Practicable Date, none of the above experts had any direct or indirect shareholdings in any member of the Group, or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for shares in any member of the Group, or any interests, directly or indirectly, in any assets which have been acquired, disposed of or leased to or which are proposed to be acquired, disposed of or leased to the Company or any of their respective subsidiaries, respectively, since 31 March 2012, the date to which the latest published audited financial statements of the Group were made up.

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

**7. SERVICE CONTRACTS**

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

**8. LITIGATION**

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

## 9. MATERIAL CONTRACTS

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

- (a) The Underwriting Agreement;
- (b) The underwriting agreement dated 19 January 2012 (“January 2012 Underwriting Agreement”) between the Company and Chung Nam Securities Limited, an associate of the Group as at the date entering such underwriting agreement, and Get Nice Securities Limited, an Independent Third Party, relating to the rights issue of the Company on the basis of two rights shares for every adjusted share on the record date and the supplemental agreement dated 16 April 2012 in relation to the amendments of certain terms of January 2012 Underwriting Agreement;
- (c) The share subscription agreement dated 30 September 2011 between the Company and Willie International Holdings Limited (“Willie”), a substantial shareholder of the Company which holds approximately 15.38% shareholding interest of the Company as at the Latest Practicable Date, (1) in relation to the subscription of shares in the Company by Willie and (2) in relation to the subscription of shares in Willie by the Company. The consideration for the subscription was approximately HK\$48.08 million respectively;
- (d) The conditional agreement dated 19 September 2011 between Freeman Agency Limited, a wholly owned subsidiary of the Company and Dr. Yang Fan Shing, Andrew, a former Chairman of the Company, in relation to the disposal of shares in Freeman Investment Services Limited, a wholly owned subsidiary of the Company, the total consideration was HK\$0.75 million;
- (e) The subscription agreement dated 12 August 2011 (“August 2011 Subscription Agreement”) between Freeman Securities Limited (“FSL”), an associate of the Group as at the date entering such subscription agreement, Global Wealthy International Limited (“Global Wealthy”), an Independent Third Party, and the Company in relation to the issue and allotment of shares in FSL to Global Wealthy, the total consideration was HK\$15 million and the supplemental agreement dated 12 October 2012 in relation to the amendments of certain terms of August 2011 Subscription Agreement;
- (f) The share purchase agreement dated 19 July 2011 between Ng Chor Yam, an Independent Third Party, and Freeman United Investments Limited (“Freeman United”), a wholly owned subsidiary of the Company, in relation to the purchase of shares in FSL, the total consideration was HK\$30 million;

- (g) The subscription agreement dated 17 May 2011 between Hennabun Capital Group Limited (“Hennabun”), an associate of the Group as at the date entering such subscription agreement, and the Company, in relation to the subscription of Hennabun’s convertible note by the Company, the total consideration was HK\$250 million;
- (h) 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. Mr. Liu Lit Man and Mrs. Liu Heu Seu Chu Pearl are the parents of Mr. Andrew Liu, who is a non-executive Director of the Company;
- (i) The share purchase agreement dated 13 April 2011 between Cordoba Homes Limited, an Independent Third Party as at the date entering such share purchase agreement, 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;
- (j) The subscription agreement dated 8 March 2011 between FSL, an Independent Third Party as at the date entering such subscription agreement, and Freeman United in relation to the subscription of shares in FSL, the total consideration was HK\$20 million; and
- (k) 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.

## **10. CORPORATE INFORMATION**

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

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

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

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

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

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

**Authorised representatives**

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

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

**Company secretary**

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

**Legal adviser to the Company**

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

**Auditors**

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

**Principal bankers**

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

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

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

LO Kan Sun

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

HUI Quincy Kwong Hei

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

AU Shuk Yee, Sue

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

CHOW Mun Yee

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

**Non-executive Directors**

LIU Andrew

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

LIU Kam Fai, Winston

2nd Floor, 92 Repulse Bay Road  
Hong Kong

**Independent Non-executive Directors**

DOUGLAS Gary Drew

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

WHITELAM Peter Temple

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

QUE Agustin V.

17 Anahaw, Gloria 3 Subdivision  
Tandang Sora Quezon City,  
Metro Manila, The Philippines

MIU Frank H.

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

HUNG Cho Sing

Flat C, 21/F., BLK T8  
Island Resort  
28 Siu Sai Wan Road  
Siu Sai Wan  
Hong Kong



**EXECUTIVE DIRECTORS**

**Mr. Lo Kan Sun** (“**Mr. Lo**”), aged 58, joined the Company as Executive Director in June 2008 and was re-designated as Managing Director in November 2008. Mr. Lo was promoted as Acting Chairman in July 2012. Mr. Lo holds a Master’s degree in Business Administration from Indiana University in the United States of America (“the USA”) and a Bachelor’s degree in Electrical Engineering from University of Illinois, the USA. Mr. Lo has over 28 years of experience in finance, investment and banking in Hong Kong and Canada.

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

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

**Ms. Chow Mun Yee** (“**Ms. Chow**”), aged 37, joined the Company’s accounts and company secretarial department in December 2010 and was appointed as Executive Director in February 2011. Ms. Chow is a fellow member of the Hong Kong Institute of Certified Public Accountants and is a fellow member of the Association of Chartered Certified Accountants and holds a Bachelor (Hons) degree in Business Administration from the Chinese University of Hong Kong. Prior to joining the Company, Ms. Chow has over 13 years of experience in accounting and auditing at an international accounting firm and has extensive experience in financial services, investment and property development.

**NON-EXECUTIVE DIRECTORS**

**Mr. Andrew Liu (“Mr. A. Liu”)**, aged 57, joined the Company as Non-executive Director in November 2010. Mr. A. Liu is a non-executive director of Liu Chong Hing Investment Limited (“LCH Investment”) (listed on the main board of The Stock Exchange of Hong Kong Limited). Mr. A. Liu is the Chairman of Uitas Capital Pte Ltd. (formerly known as CCMP Capital Asia Pte Ltd.). Mr. A. Liu, holder of a Master of Arts degree from the Oxford University in England, was a solicitor with Slaughter and May in London before joining Morgan Stanley & Co. Inc. in New York in 1981. Mr. A. Liu was promoted to managing director in 1990 before relocating to Morgan Stanley Asia Limited in Hong Kong, where he assumed the position of President and managing director until his resignation in September 1997. Mr. A. Liu remains associated with Morgan Stanley as an advisory director. From May 1999 to December 2012, Mr. A. Liu was appointed as non-executive director of Chong Hing Bank Limited (listed on the main board of the Stock Exchange). Mr. A. Liu is a cousin of Mr. Liu Kam Fai, Winston, the Company’s Non-executive Director.

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

**INDEPENDENT NON-EXECUTIVE DIRECTORS**

**Mr. Gary Drew Douglas (“Mr. Douglas”)**, aged 63, joined the Company as Independent Non-executive Director in February 2006. Mr. Douglas holds a Master’s Degree in Business Administration from University of Santa Clara, the USA. Mr. Douglas has over 20 years of professional experience in general management, IT business, project management, and commercial and retail banking in Japan and the USA. From June 2011 to October 2011, Mr. Douglas was appointed as an independent non-executive director of Radford Capital Investment Limited (“Radford”) which is a company listed on the main board of the Stock Exchange and from June 2011 to September 2012, Mr. Douglas was appointed as independent non-executive director of Willie International Holdings Limited, which is also a company listed on the main board of the Stock Exchange. Mr. Douglas is presently the managing director of Dragonite International Limited (“Dragonite”) which is a company listed on the main board of the Stock Exchange.

**Mr. Peter Temple Whitelam** (“**Mr. Whitelam**”), aged 83, joined the Company as Independent Non-executive Director in November 2006. Mr. Whitelam is currently the chairman of the Company’s remuneration committee and nomination committee. Mr. Whitelam is a specialist consultant in global branding and international communications. After graduating from Pembroke College, Oxford University, Mr. Whitelam joined the BBC before winning a Fulbright Scholarship to study educational radio and television in the United States where he gained a Master of Science degree from Boston University. Following four years at NBCTV in New York, Mr. Whitelam began a long career in advertising, creating national and international campaigns for such clients as British Airways, Unilever, Nabisco, ESPN, Colgate, Cadbury, General Motors, American Express, Nomura Securities, and the Bank of Montreal. Mr. Whitelam has worked as a creative strategist in Boston, New York, London, Montreal, Toronto, Tokyo and Taiwan and received international awards for his ideas. Recently Mr. Whitelam has been developing brand strategies both for companies and government agencies. Mr. Whitelam has a long time acquaintance with Asia, having visited and worked in eight different countries in the Asia Pacific region. Mr. Whitelam is the chairman of the board of directors of Mascotte Holdings Limited which is a company listed on the main board of the Stock Exchange.

**Dr. Agustin V. Que** (“**Dr. Que**”), aged 66, joined the Company as an Independent Non-executive Director in September 2010. Dr. Que holds Doctor of Philosophy and Master degrees in Business Administration, both majoring in Finance, from the Wharton School of the University of Pennsylvania in Philadelphia, Pennsylvania, United States of America. Dr. Que has been involved in the field of finance for more than 35 years as a private equity investor, merchant banking, corporate and development finance professional in Jakarta, Hong Kong, Singapore, Boston and Washington, District of Columbia. Dr. Que recently returned to Manila after 15 years in Jakarta where Dr. Que was corporate finance adviser to an Indonesian holding company with diversified interests in agribusiness, property and financial services. In this position, Dr. Que was responsible for mergers and acquisitions, new investments, business development and investment banking activities. Prior to Jakarta, Dr. Que worked in the financial sector in Hong Kong for 12 years. Dr. Que started his career in finance in Washington, District of Columbia, United States of America with The World Bank, over a period of 10 years. His last posting was senior investment officer in the capital markets department of the International Finance Corporation, The World Bank’s private investment arm. Dr. Que is currently an independent non-executive director of Mascotte Holdings Limited which is a company listed on the main board of the Stock Exchange.

**Mr. Frank H. Miu** (“**Mr. Miu**”), aged 63, joined the Company as Independent Non-executive Director and chairman of audit committee in December 2011. Mr. Miu holds a Juris Doctor degree from Harvard Law School and a Bachelor of Arts degree in Economics and Accounting from St. John’s University of Minnesota. Mr. Miu is a member of the American Bar Association and the American Institute of Certified Public Accountants. Mr. Miu is also a Fellow of Hong Kong Institute of Directors. Apart from professional experience in law and accounting, Mr. Miu has extensive exposure to various industries including financial services. Mr. Miu is a former executive director during the period from March 2009 to December 2009 of Radford which is a company listed on the main board of Stock Exchange and served again

in June and July 2011 as the executive director and managing director of Radford. Mr. Miu is also a former executive director during the period from April to May 2010 of Dragonite which is a company listed on the main board of the Stock Exchange, and a former non-executive director during the period from May 2010 to July 2011 of Dragonite. Mr. Miu is currently an independent non-executive director of Mascotte Holdings Limited, Willie International Holdings Limited and Tack Fiori International Group Limited, and all these companies are companies listed on the main board of the Stock Exchange. Aside from directorships in the aforesaid public companies listed on the Stock Exchange, Mr. Miu is also an independent non-executive director of Duoyuan Global Water Inc., a public company listed on New York Stock Exchange.

**Mr. Hung Cho Sing (“Mr. Hung”)**, aged 71, joined the Company as Independent Non-executive Director on 9 January 2013. Mr. Hung has over 30 years of experience in the film distribution industry and founded Delon International Film Corporation in 1970. Mr. Hung has been the chairman of Hong Kong, Kowloon and New Territories Motion Picture Industry Association Limited since 1991 and was the chairman of Hong Kong Film Awards Association Limited from 1993 to 1995. Mr. Hung was appointed by the HKSAR Government as a member of the Hong Kong Film Development Council since 2007. Mr. Hung was also appointed as a director of the China Film Association since 2009. Mr. Hung is also a member of HKSAR Election Committee and a vice-chairman of the Cultural Profession Committee of the Guangdong, Hong Kong and Macau Cooperation Promotion Council (廣東省粵港澳合作促進會文化專業委員會副主任委員). Mr. Hung was awarded the Bronze Bauhinia Star (BBS) by the HKSAR Government in 2005 in recognition of his contribution to the Hong Kong Film industry. Mr. Hung is an independent non-executive director of China Star Entertainment Limited and non-executive director of Capital VC Limited, both of which are companies listed on the main board of the Stock Exchange.

## 11. MISCELLANEOUS

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

## 12. EXPENSES

The expenses in connection with the Rights Issue, including the underwriting commission, financial advisory fees, printing, registration, translation, legal and accounting fees, are estimated to be approximately HK\$5.5 million on the basis of 147,067,484 Rights Shares to be issued or approximately HK\$6.6 million on the basis of 191,187,728 Rights Shares to be issued, and will be payable by the Company.

**13. DOCUMENTS AVAILABLE FOR INSPECTION**

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

- (a) the Memorandum and the Articles;
- (b) the annual reports of the Company for the three financial years ended 31 March 2012, 31 March 2011 and 31 March 2010;
- (c) the interim report of the Company for the six months ended 30 September 2012;
- (d) the letter of advice from Vinco Capital, the full text of which is set out on pages 34 to 56 of this circular;
- (e) the letter from the Independent Board Committee, the full text of which is set out on page 33 of this circular;
- (f) the letter on the unaudited pro forma financial information of the Group issued by Ernst & Young which is set out in appendix II to this circular;
- (g) the material contracts disclosed in the paragraph under the heading “Material Contracts” in this appendix; and
- (h) the written consents referred to in the paragraph under the heading “Experts” in this appendix.

**Mr. Hung Cho Sing** (“**Mr. Hung**”), aged 71, joined the Company as Independent Non-executive Director on 9 January 2013. Mr. Hung has over 30 years of experience in the film distribution industry and founded Delon International Film Corporation in 1970. Mr. Hung has been the chairman of Hong Kong, Kowloon and New Territories Motion Picture Industry Association Limited since 1991 and was the chairman of Hong Kong Film Awards Association Limited from 1993 to 1995. Mr. Hung was appointed by the HKSAR Government as a member of the Hong Kong Film Development Council since 2007. Mr. Hung was also appointed as a director of the China Film Association since 2009. Mr. Hung is also a member of HKSAR Election Committee and a vice-chairman of the Cultural Profession Committee of the Guangdong, Hong Kong and Macau Cooperation Promotion Council (廣東省粵港澳合作促進會文化專業委員會副主任委員). Mr. Hung was awarded the Bronze Bauhinia Star (BBS) by the HKSAR Government in 2005 in recognition of his contribution to the Hong Kong Film industry. Mr. Hung is an independent non-executive director of China Star Entertainment Limited and non-executive director of Capital VC Limited, both of which are companies listed on the main board of the Stock Exchange.

Save as disclosed above, Mr. Hung did not hold directorship in any other listed public companies in the last three years. Mr. Hung is not connected with any directors, senior management, substantial shareholders or controlling shareholders (as defined in the Listing Rules) of the Company. Mr. Hung does not have any interests in the Shares which is required to be disclosed under Part XV of the SFO.

Mr. Hung did not enter into any service contract with the Company and his appointment as a Director is subject to the rotational retirement requirements under the Articles. Mr. Hung will receive a remuneration of HK\$20,000 per month, which was determined in accordance with his background, duties and responsibilities with the Company and the prevailing market situation.

Save as disclosed herein, there is no information to be disclosed pursuant to the requirements of Rule 13.51(2) of the Listing Rules relating to the re-election of Mr. Hung and there is no other matter that needs to be brought to the attention of the Shareholders.

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## NOTICE OF EXTRAORDINARY GENERAL MEETING

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### FREEMAN FINANCIAL CORPORATION LIMITED

### 民豐企業控股有限公司

*(incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 279)**

### NOTICE OF EXTRAORDINARY GENERAL MEETING

**NOTICE IS HEREBY GIVEN** that the extraordinary general meeting of Freeman Financial Corporation Limited (the “Company”) will be held at 30/F., China United Centre, 28 Marble Road, North Point, Hong Kong at 4:00 p.m. on Monday, 18 February 2013 for the purpose of considering and, if thought fit, passing with or without amendments, the following resolutions as a special resolution and ordinary resolutions of the Company, respectively:–

#### **SPECIAL RESOLUTION**

1. **“THAT** conditional upon (i) approval of the Capital Reduction (as defined below) by the Grand Court of the Cayman Islands (the “**Court**”); (ii) registration by the Registrar of Companies of the Cayman Islands of the order of the Court confirming the Capital Reduction (as defined below) and the minute approved by the Court containing the particulars required under the Companies Law of the Cayman Islands in respect of the Capital Reduction (as defined below) and compliance with any conditions as may be imposed by the Court in relation to the Capital Reduction (as defined below); and (iii) the Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, the Adjusted Shares (as defined below) in issue, upon the date on which the aforesaid conditions are fulfilled:
  - (a) every ten (10) issued shares of par value of HK\$0.05 each in the capital of the Company be consolidated (“**Share Consolidation**”) into one consolidated share of par value of HK\$0.50 each (“**Consolidated Share**”);
  - (b) immediately following the Share Consolidation, the issued and paid up share capital of the Company be reduced (“**Capital Reduction**”) by cancelling the paid-up capital to the extent of HK\$0.49 on each Consolidated Share in issue so that each issued Consolidated Share of HK\$0.50 each of the Company be treated as one fully paid-up share of HK\$0.01 par value each (“**Adjusted Share(s)**”) in the share capital of the Company and any liability of the holders of such shares to make any further contribution to the capital of the Company on each such share shall be treated as satisfied and that the amount of issued capital thereby cancelled be made available for issue of new shares of the Company;

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## NOTICE OF EXTRAORDINARY GENERAL MEETING

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- (c) the credit arising from the Capital Reduction shall be applied to set-off the accumulated deficit of the Company and the balance (if any) will be transferred to a distributable reserve of the Company called the distributable capital reduction reserve account or other reserve account of the Company which may be utilised by the directors of the Company as a distributable reserve in accordance with the articles of association of the Company and all applicable laws;
- (d) immediately following the Capital Reduction, each authorized but unissued share of the Company of par value of HK\$0.05 each shall be sub-divided into five (5) Adjusted Shares of par value of HK\$0.01 each (“**Share Subdivision**”);
- (e) all of the Adjusted Shares resulting from the Share Consolidation, Capital Reduction and Share Subdivision shall rank *pari passu* in all respects and have the rights and privileges and be subject to the restrictions contained in the Company’s articles of association; and
- (f) the directors of the Company be and are hereby authorised generally to do all such acts, deeds and things as they shall, in their absolute discretion, deem appropriate to effect and implement the Capital Reorganisation.

For the purpose of this resolution, “**Capital Reorganisation**” shall mean the steps as set out in the above paragraphs 1 (a), (b), (c) and (d) collectively.”

### ORDINARY RESOLUTIONS

2. “**THAT**

- (a) the underwriting agreement dated 4 December 2012 (the “**Underwriting Agreement**”, a copy of which having been produced to this meeting and marked “A” and initialled by the chairman of the meeting for the purpose of identification) made between the Company and Chung Nam Securities Limited (the “**Underwriter**”) and the transactions contemplated thereunder be and are hereby approved, confirmed and ratified;
- (b) conditional on the obligations of the Underwriter becoming unconditional under the Underwriting Agreement, the issue of not less than 147,067,484 new Adjusted shares of HK\$0.01 each and not more than 191,187,728 new Adjusted shares of HK\$0.01 each in the capital of the Company (the “**Rights Shares**”) pursuant to an offer by way of rights issue (the “**Rights Issue**”) at the subscription price of HK\$0.85 per Rights Share in the proportion of two Rights Shares for every Adjusted Share held by holders of Shares (the “**Shareholders**”) whose names appear on the register of members of the Company on 19 June 2013 (or such other date as the Underwriter may agree in writing with the Company) (the



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## NOTICE OF EXTRAORDINARY GENERAL MEETING

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“**Record Date**”) other than those Shareholders whose addresses on the register of members of the Company are outside Hong Kong on the Record Date and whom the directors of the Company (the “**Directors**”), based on legal opinions provided by legal advisers, consider it necessary or expedient not to offer the Rights Issue to such Shareholders on account either of the legal restrictions under the laws of the relevant place or the requirements of the relevant regulatory body or stock exchange in that place (the “**Non-Qualifying Shareholders**”), on and subject to the terms and conditions set out in a circular to the Shareholders in respect of the Rights Issue dated 17 January 2013 (the “**Circular**”, a copy of which having been produced to this meeting and marked “**B**” and initialled by the chairman of the meeting for the purpose of identification) and on such other terms and conditions as may be determined by the Directors be and is hereby approved provided that (a) no Rights Shares shall be offered to the Non-Qualifying Shareholders and the Rights Shares which would otherwise have been offered to them shall be sold if a premium net of expenses is obtained and to the extent that such rights can be sold, the net proceeds of such sale (after deducting the expenses of sale) be distributed to the Non-Qualifying Shareholders pro rata to their holding of shares provided further that individual amounts of HK\$100 or less shall be retained for the benefit of the Company; and (b) to the extent that the Rights Shares referred to in (a) above are not sold as aforesaid, such Rights Shares together with any Rights Shares provisionally allotted but not accepted shall be offered for application under forms of application for excess Rights Shares; and

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

3. To re-elect Mr. Hung Cho Sing as an Independent Non-executive Director of the Company.

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

Hong Kong, 17 January 2013

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## NOTICE OF EXTRAORDINARY GENERAL MEETING

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*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 shall be entitled to appoint another person (who must be an individual) as his proxy to attend and vote instead of him and a proxy so appointed shall have the same right as the member to speak at the meeting. On a poll votes may be given either personally or by proxy. A proxy need not be a member of the Company. A member may appoint any number of proxies to attend in his stead at any one general meeting. In the case of a recognised clearing house, it may authorise such person(s) as it thinks fit to act as its representative(s) at the meeting and vote in its stead.
- (3) The instrument appointing a proxy must be in writing under the hand of the appointor or of his attorney authorised in writing, or if the appointor is a corporation, either under its seal or under the hand of an officer, attorney or other person duly authorised to sign the same.
- (4) The instrument appointing a proxy and the power of attorney or other authority, if any, under which it is signed or a notarially certified copy of such power or authority must be delivered at the Company's share registrar and transfer office in Hong Kong, Tricor Secretaries Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong not less than 48 hours before the time appointed for holding the meeting or any adjourned meeting at which the person named in such instrument proposes to vote. Delivery of any instrument appointing a proxy shall not preclude a member from attending and voting in person at the meeting, or poll concerned and, in such event, the instrument appointing a proxy shall be deemed to be revoked.
- (5) Where there are joint registered holders of any share, any one of such persons may vote at the meeting, either personally or by proxy, in respect of such share as if he were solely entitled thereto but if more than one of such joint holders be present at any meeting personally or by proxy, that one of the said persons so present being the most or, as the case may be, the more senior shall alone be entitled to vote in respect of the relevant joint holding and, for this purpose, seniority shall be determined by reference to the order in which the names of the joint holders stand on the register in respect of the relevant joint holding.

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

*Executive Directors:*

Mr. Lo Kan Sun (*Acting Chairman*)  
Mr. Hui Quincy Kwong Hei (*Managing Director*)  
Ms. Au Shuk Yee, Sue  
Ms. Chow Mun Yee

*Non-executive Directors:*

Mr. Andrew Liu  
Mr. Liu Kam Fai, Winston

*Independent Non-executive Directors:*

Mr. Gary Drew Douglas  
Mr. Peter Temple Whitelam  
Dr. Agustin V. Que  
Mr. Frank H. Miu  
Mr. Hung Cho Sing