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

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

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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)

MAJOR AND CONNECTED TRANSACTION IN RELATION TO THE DISPOSAL OF 23.43% BENEFICIAL INTERESTS IN LIU'S HOLDINGS LIMITED

AND

NOTICE OF EXTRAORDINARY GENERAL MEETING

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



A letter from the independent board committee of Freeman Financial Corporation Limited (the "Company") containing its recommendation to the independent shareholders of the Company is set out on pages 27 to 28 of this circular. A letter from Guangdong Securities Limited containing its advice to the independent board committee and the independent shareholders of the Company is set out on pages 29 to 49 of this circular.

A notice convening the extraordinary general meeting of the Company (the "EGM") to be held at 30th Floor, China United Centre, 28 Marble Road, North Point, Hong Kong on Tuesday, 12 July 2011 at 9:00 a.m. is set out on pages EGM-1 to EGM-3 of this circular. Whether or not you are able to attend the EGM, you are requested to complete the accompanying proxy form in accordance with the instructions printed thereon and return the same to the Company's branch share registrar in Hong Kong, Tricor Secretaries Limited at 26/F., Tesbury Centre, 28 Queen's Road East, Wan Chai, Hong Kong as soon as possible and in any event not later than 48 hours before the time appointed for holding of the meeting or any adjournment thereof (as the case may be). Completion and return of the proxy form will not preclude you from attending and voting in person at the EGM or any adjourned meeting if you so wish but the authority of your proxy will be invalidated forthwith.

Hong Kong, 25 June 2011

CONTENTS

	<i>Pages</i>
Definition	1
Letter from the Board	5
Letter from the Independent Board Committee	27
Letter from Guangdong Securities	29
Appendix I – Financial Information of the Group	I-1
Appendix II – General Information	II-1
Notice of the EGM	EGM-1
Accompanying document:	
– Form of proxy	

DEFINITION

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

“23.43% Beneficial Interests”	the beneficial interests in the Sale Shares acquired by Ambition pursuant to the terms of the Share Purchase Agreement
“Ambition”	Ambition Union Limited, a wholly-owned subsidiary of the Company
“Agreement”	the Agreement entered into amongst Ambition, Mr. L M Liu, Mrs. Liu and Mr. A Liu dated 17 May 2011
“Articles of Association”	the Articles of Association of Liu’s Holdings
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors of the Company
“Business Day”	any day (not being a Saturday, Sunday, public holiday or days on which a typhoon signal No. 8 or above or black rainstorm signal is hosted in Hong Kong at 10:00 a.m.) on which banks are generally open for business in Hong Kong
“Chong Hing Bank”	Chong Hing Bank Limited (Stock Code: 1111), a company incorporated in Hong Kong with limited liability and the shares of which are listed on main board of the Stock Exchange
“Company”	Freeman Financial Corporation Limited (Stock Code: 279), a company incorporated in the Cayman Islands with limited liability and the shares of which are listed on main board of the Stock Exchange
“Completion”	completion of the Disposal
“Conditions”	conditions precedent contained in the Agreement for the Completion
“connected person(s)”	has the meaning ascribed to it under the Listing Rules

DEFINITION

“Deed”	the deed entered into amongst the then shareholders of Liu’s Holdings dated 20 October 1972
“Director(s)”	the director(s) of the Company
“Disposal”	the sell and transfer of the beneficial interests in the Sale Shares pursuant to the Agreement
“Earlier Announcement”	the announcement made by the Company on 27 April 2011
“EGM”	the extraordinary general meeting of the Company to be convened on Tuesday, 12 July 2011 at 30th Floor, China United Centre, 28 Marble Road, North Point, Hong Kong to consider, and if thought fit, approve the resolution in respect of the Agreement and the transactions contemplated thereunder
“Group”	the Company and its subsidiaries
“Guangdong Securities” or “Independent Financial Adviser”	Guangdong Securities Limited, a licensed corporation to carry out Type 1 (dealing in securities), Type 2 (dealing in futures contracts), Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities as defined under the SFO and the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the Disposal
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Board Committee”	an independent committee of the board of directors of the Company including all the independent non-executive directors of the Company that has been established for the purpose of advising the Independent Shareholders in respect of the Agreement and the transactions contemplated thereunder
“Independent Shareholders”	Shareholders other than Mr. A Liu, Mr. Winston Liu, Mr. L M Liu and Mrs. Liu and their respective associates

DEFINITION

“Latest Practicable Date”	22 June 2011, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained in this circular
“LCH Investment”	Liu Chong Hing Investment Limited (Stock Code: 194), a company incorporated in Hong Kong with limited liability and the shares of which are listed on main board of the Stock Exchange
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Liu’s Holdings”	Liu’s Holdings Limited, a company incorporated in Hong Kong with limited liability
“Liu’s Holdings’ Offer”	the offer by Liu’s Holdings as described in paragraph numbered 3 of the Earlier Announcement
“Mr. A Liu”	Mr. Andrew Liu
“Mr. L M Liu”	Mr. Liu Lit Man, <i>GBS, JP, FIBA</i>
“Mr. W Liu”	Mr. Liu Kam Fai, Winston, a non-executive Director
“Mrs. Liu”	Mrs. Liu Heu Seu Chu Pearl
“Proposals”	the proposals as described under paragraphs numbered 3 and 4 of the Earlier Announcement
“Remaining Shareholders”	the shareholders of Liu’s Holdings other than Mr. L M Liu and Mrs. Liu, namely, Liu Lit Mo, Liu Lit Chi, estate of Liu Lit For, Liu Lit Chung, Liu Mei Kum and estate of Liu Lit To, or any one or more of such shareholders
“Sale Shares”	175,714 shares in Liu’s Holdings, the beneficial interests of which were sold to Ambition pursuant to the Share Purchase Agreement
“SFO”	the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong)

DEFINITION

“Share Purchase Agreement”	agreement dated 8 December 2010 entered into amongst Ambition, Mr. A Liu, Mr. L M Liu and Mrs. Liu
“Share(s)”	ordinary share(s) of HK\$0.10 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“%”	per cent.

LETTER FROM THE BOARD



FREEMAN FINANCIAL CORPORATION LIMITED

民豐企業控股有限公司

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 279)

Executive Directors:

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

Non-executive Directors:

Mr. Andrew Liu
Mr. Cheng Chi Ming, Brian
Mr. Liu Kam Fai, Winston

Independent non-executive Directors:

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

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

25 June 2011

To the Shareholders,

Dear Sir or Madam,

**MAJOR AND CONNECTED TRANSACTION IN RELATION TO
THE DISPOSAL OF 23.43% BENEFICIAL INTERESTS IN
LIU'S HOLDINGS LIMITED
AND
NOTICE OF EXTRAORDINARY GENERAL MEETING**

INTRODUCTION

Pursuant to the Share Purchase Agreement entered into amongst Mr. L M Liu, Mrs. Liu, Mr. A Liu and Ambition on 8 December 2010, Mr. L M Liu and Mrs. Liu agreed, amongst other things, (a) to sell and transfer all their respective beneficial rights, interests, entitlements, claims and undeclared dividends in the Sale Shares to Ambition, and (b) to hold on trust the legal title of the Sale Shares for Ambition pending registration of Ambition as shareholder of the Sale Shares in the register of members of Liu's Holdings.

LETTER FROM THE BOARD

Ambition received a letter from Mr. L M Liu and Mrs. Liu on 27 April 2011. Contents of this letter have been summarized in the Earlier Announcement and are also set out below:

1. After completion of the Share Purchase Agreement on 18 January 2011, Mr. L M Liu and Mrs. Liu have used their utmost endeavours to convince the Remaining Shareholders to agree to transfer the legal title of the Sale Shares to Ambition.
2. However, despite the efforts by Mr. L M Liu and Mrs. Liu, the request to transfer the legal title was denied and instead, after a pro-long period of consideration and negotiation, the Remaining Shareholders came up with the Liu's Holdings' Offer.
3. The Liu's Holdings' Offer is to purchase 150,540 Sale Shares for a proposed consideration (after deducting 0.1% stamp duty) of approximately HK\$364.7 million.
4. Of the remaining 25,174 Sale Shares the beneficial interests of which were sold to Ambition under the Share Purchase Agreement, Mr. L M Liu and Mrs. Liu have offered to purchase them at a consideration (after deducting 0.1% stamp duty) of approximately HK\$61.0 million. The consideration is calculated using the same price per share as that in the Liu's Holdings' Offer.

Following the Earlier Announcement, the Company (through its authorised representatives) discussed the latest developments as well as the Proposals with Mr. L M Liu and Mrs. Liu. After much consideration and deliberation, the Company agreed upon the terms of the Agreement with Mr. L M Liu, Mrs. Liu and Mr. A Liu.

In addition, on 5 May 2011, Ambition received an amount of HK\$5,974,276, being the final dividends for the year ended 31 December 2010 declared by Liu's Holdings in respect of the Sale Shares.

As far as the Directors are aware, as at the Latest Practicable Date, Liu's Holdings holds an approximate 45.33% interest in LCH Investment, and LCH Investment in turn holds an approximate 48.52% interest in Chong Hing Bank. Both LCH Investment and Chong Hing Bank are listed on the main board of the Stock Exchange.

The purpose of this circular is to provide you with information in relation to, among other things, (i) details of the Agreement and the transactions contemplated thereunder; (ii) the recommendation of the Independent Board Committee; (iii) the letter of advice from Guangdong Securities to the Independent Board Committee and the Independent Shareholders; (iv) the financial information of the Group; and (v) a notice convening the EGM at which an ordinary resolution will be proposed to the Shareholders to consider and, if thought fit, approve the Agreement and the transactions contemplated thereunder.

LETTER FROM THE BOARD

THE AGREEMENT

Set out below are the principal terms of the Agreement:

Date:

17 May 2011 (after trading hours)

Parties:

- (1) Mr. L M Liu;
- (2) Mrs. Liu;
- (3) Mr. A Liu; and
- (4) Ambition

Beneficial interests in Sale Shares to be disposed

Pursuant to the Agreement, Ambition has conditionally agreed:–

- (a) to sell and transfer all its beneficial rights, interests, entitlements, claims and undeclared dividends in 150,540 of the Sale Shares to Mr. L M Liu and Mrs. Liu for a consideration of HK\$364,736,549.20. Such consideration is the same price offered in Liu's Holdings' Offer less 0.1% stamp duty. The Company is not aware how Liu's Holdings determined the price contained in Liu's Holdings' Offer; and
- (b) to sell and transfer all its beneficial rights, interests, entitlements, claims and undeclared dividends in 25,174 of the Sale Shares to Mr. L M Liu and Mrs. Liu for a consideration of HK\$60,992,944.72. Such consideration is calculated using the same price per share offered in Liu's Holdings' Offer less 0.1% stamp duty.

In respect of paragraph (a) above, the Directors understand that the “real buyer” for the 150,540 Sale Shares are actually three of the Remaining Shareholders of Liu's Holdings, namely Liu Lit Mo (father of Mr. W Liu and uncle of Mr. A Liu), Liu Lit Chi and Liu Lit Chung (both uncles of Mr. A Liu and Mr. W Liu). Mr. L M Liu and Mrs. Liu are simply acting as “pass-through”. The three Remaining Shareholders mentioned above (through Liu's Holdings) made the Liu's Holdings' Offer. However, as the Company only owns the beneficial interests in those 150,540 Sale Shares, such beneficial interests need to first be sold to Mr. L M Liu and Mrs.

LETTER FROM THE BOARD

Liu (who still hold the legal interests), before the “complete” shareholding can be sold to the Remaining Shareholders. The Company understands that Mr. L M Liu and Mrs. Liu, once they acquire the beneficial interests in those Sale Shares from the Company, will sell the complete legal and beneficial interests in those Sale Shares to the three Remaining Shareholders mentioned above at the price stated in Liu’s Holdings’ Offer.

In respect of paragraph (b) above, Mr. L M Liu and Mrs. Liu are the “real buyer” of the 25,174 Sale Shares – this is in order to help the Company “cash-out” completely. Without this limb of the transaction, the Company will have to continue to hold on to the beneficial interests in these 25,174 Sale Shares (as they are not included in Liu’s Holdings’ Offer), which will be of an even lesser strategic value to the Company.

Pursuant to the Share Purchase Agreement, Ambition paid a total price of HK\$502,542,037.50 when it acquired the beneficial interests in the Sale Shares.

After Completion, both beneficial and legal interests in the Sale Shares shall become absolutely vested in Mr. L M Liu and Mrs. Liu, and the parties to the Agreement shall have no cause for redress or claim against one another under the Share Purchase Agreement, save and except any antecedent breach.

Consideration

Pursuant to the Agreement, the aggregate consideration of HK\$425,729,493.92 shall be paid by way of a cashier order (or such banking instrument as Ambition shall agree in writing) by Mr. L M Liu and Mrs. Liu to Ambition upon Completion.

The Company intends to apply the sale proceeds to other investment opportunities in the financial services sector, including for example, expansion into the fund management business as outlined in the Company’s announcement dated 3 March 2011.

LETTER FROM THE BOARD

Basis of the consideration

The Company is not bound by any agreement or arrangement to accept the price in Liu's Holdings' Offer. After receiving the letter from Mr. L M Liu and Mrs. Liu described in the Company's announcement dated 27 April 2011, Mr. Quincy Hui and Mr. A Liu (as authorised representatives of the Company and Ambition) met with Mrs. Liu (representing herself and as the lawful attorney for Mr. L M Liu) on 5 May 2011. During the meeting, Mr. Quincy Hui tried to negotiate a higher price for the Disposal (but was not successful). Mrs. Liu replied that the price was set by the Remaining Shareholders, she (representing herself and as the lawful attorney for Mr. L M Liu) tried repeatedly to negotiate with Liu Lit Chi (as representative of Liu's Holdings) a higher Disposal consideration for the Company but was told there was no room for negotiation. Mr. A Liu asked for the original cost (i.e. the acquisition consideration under the Share Purchase Agreement) back, but Mrs. Liu said that the Remaining Shareholders were absolutely adamant about the price offered in Liu's Holdings' Offer (i.e. equivalent to HK\$10.6 per LCH Investment share). Mrs. Liu also reiterated that Mr. L M Liu and Mrs. Liu have used utmost endeavours to convince the Remaining Shareholders to agree to transfer the legal titles of the Sale Shares to Ambition. After the completion of the Share Purchase Agreement, Mrs. Liu (representing herself and as the lawful attorney of Mr. L M Liu) repeatedly spoke to Liu Lit Chi (as representative of Liu's Holdings) to persuade Liu's Holdings to effect the transfer of the legal title in the Sale Shares to the Company. Despite their efforts, regrettably the request has been denied and instead, after a pro-long period of consideration and negotiation, Liu Lit Mo, Liu Lit Chi and Liu Lit Chung (through Liu's Holdings) came up with the Liu's Holdings' Offer.

The consideration was agreed amongst Ambition, Mr. L M Liu and Mrs. Liu after arm's length negotiations by reference to all of the following together as a package: (1) the price offered in Liu's Holdings' Offer, (2) the latest market value of LCH Investment, (3) the illiquid nature of shareholding interests in Liu's Holdings (which is an unlisted private holding company), and (4) the future prospects of LCH Investment and Chong Hing Bank without the involvement of the Company.

The share price of LCH Investment was HK\$9.46 as at the date of the Share Purchase Agreement (i.e. 8 December 2010). LCH Investment's share price rose to HK\$11.96 as at the date of the extraordinary general meeting that approved the Share Purchase Agreement (i.e. 18 January 2011). The acquisition consideration under the Share Purchase Agreement was equivalent to approximately HK\$12.50 per LCH Investment share, representing approximately a 32.1% premium over LCH Investment's share price as at the date of the Share Purchase Agreement and approximately a 4.5% premium over LCH Investment's share price as at the date of the above-mentioned extraordinary general meeting. LCH Investment's share price was HK\$10.56 per share as at the date of the Agreement, which was roughly on par with the Disposal consideration of around HK\$10.60 per LCH Investment share before stamp duty.

In addition, the basis of determining the consideration should be read in the context of and in conjunction with the circumstances surrounding the transaction set out under the section headed "Information on the Group and reasons for and benefits of the Disposal" below.

LETTER FROM THE BOARD

As a result and taking all the above considerations and the circumstances surrounding the Disposal together into consideration as a package, even though LCH Investment's share price was lower at the date of the Share Purchase Agreement as compared with the date the Agreement was entered into and even though the Disposal will result in a loss for the Company as further described under the section headed "Financial effect of the Disposal", the Board of Directors considered the terms of the Agreement (including the Disposal consideration) to be fair and reasonable. The Board also believes that proceeding with the Disposal is the optimal path that the Company could take based on the current circumstances. As mentioned, Ambition paid a total consideration of HK\$502,542,037.50 under the Share Purchase Agreement to acquire the 23.43% Beneficial Interests, and received HK\$5,974,276 as final dividends declared by Liu's Holdings in respect of the Sale Shares for the year ended 31 December 2010.

Conditions Precedent

Completion of the sale and purchase of the Sale Shares under the Agreement shall be conditional on the following:

- (i) The passing by the Independent Shareholders at a duly convened Shareholders' meeting a resolution to approve the transaction contemplated in the Agreement; and
- (ii) All required consents or approval of and filings with any relevant governmental authorities, regulatory bodies and/or other relevant third parties (if any), having been received or made.

In the event that the Conditions are not, or are unable, to be fulfilled within 3 calendar months from the date of the Agreement, any of the parties thereto shall have the right to terminate the Agreement without cause and in such event, each party shall be absolutely discharged from all obligations under the Agreement.

Completion

Completion shall take place on the third working day after the fulfillment of the Conditions (or any other time as the parties to the Agreement may agree) before 5 p.m. in Hong Kong.

LETTER FROM THE BOARD

COMPARING THE SHARE PURCHASE AGREEMENT AND THE AGREEMENT

Set out below is a table comparing the terms of the Share Purchase Agreement and the Agreement.

	The Share Purchase Agreement	The Agreement	Comments
Date	8 December 2010	17 May 2011	-
Nature of transaction	Acquisition of the 23.43% Beneficial Interests	Disposal of the 23.43% Beneficial Interests	-
Parties	Mr. L M Liu Mrs. Liu Mr. A Liu Ambition	Mr. L M Liu Mrs. Liu Mr. A Liu Ambition	Even though the parties to the Share Purchase Agreement and the Agreement are the same, as mentioned above, the real buyers for the 150,541 Sale Shares under the Agreement are actually three of the Remaining Shareholders.
Consideration	HK\$502,542,037.50, equivalent to approximately HK\$12.5 per LCH Investment share	HK\$425,729,493.92, equivalent to approximately HK\$10.6 per LCH Investment share, and an approximately 15% discount to the consideration under the Share Purchase Agreement	-

LETTER FROM THE BOARD

The Share Purchase Agreement	The Agreement	Comments
Basis of consideration under the Share Purchase Agreement	<p>The consideration was agreed between Ambition, Mr. L M Liu and Mrs. Liu after arm's length negotiations by reference to (1) the audited net asset value of Liu's Holdings as at 31 December 2009, (2) the audited net asset value of LCH Investment as at 31 December 2009, (3) the latest market values of LCH Investment, and (4) the future prospects of the banking industry in Hong Kong.</p>	<p>(1) and (2) have not changed since the date of the Share Purchase Agreement. LCH Investment's share price was HK\$9.46 at the date of the Share Purchase Agreement, and was HK\$10.56 at the date of the Agreement.</p> <p>However, other circumstances have changed, including:-</p> <p>(1) the Remaining Shareholders are now very firmly against the Company's acquisition of the 23.43% Beneficial Interests. There is no longer room for further negotiation (whereas there were actual negotiations that took place after completion of the Share Purchase Agreement);</p> <p>(2) all the other Remaining Shareholders have been affected by the attitude held by Liu Lit Chi and Liu Lit Chung (being the two Remaining Shareholders who were most unhappy about the acquisition under the Share Purchase Agreement);</p> <p>(3) the Company intended to engage in a friendly acquisition of the 23.43% Beneficial Interests. However, given the Remaining Shareholders are now very firmly against the acquisition, the continued involvement by the Company in Liu's Holdings would likely result in a hostile situation between the Company and the Remaining Shareholders;</p> <p>(4) given the Remaining Shareholders are now very firmly against the acquisition under the Share Purchase Agreement, any support or contribution the Company could offer to Liu's Holdings, LCH Investment and Chong Hing Bank as owner of the 23.43% Beneficial Interests is not welcomed; and</p> <p>(5) the ability of the Company to accumulate additional beneficial interests in Liu's Holdings (or to do so at a reasonable and acceptable price) now is also limited.</p> <p>The above changes in circumstances, from the Board's point of view, justified the Disposal.</p> <p>The consideration for the Disposal is at an approximately 15% discount to the consideration under the Share Purchase Agreement. The consideration for the Disposal, as mentioned under "Basis of the consideration" above, was agreed upon after arm's length negotiations. Mr. L M Liu and Mrs. Liu were not obliged to offer to the Company the same price as in the Liu's Holdings' Offer. The Company (through its authorised representatives) did attempt to negotiate for a higher price (but was not successful). The Company does not have the right to insist on or dictate a higher valuation. The Board and the Independent Shareholders do have a right, however, to reject the consideration that has been negotiated.</p>

LETTER FROM THE BOARD

The Share Purchase Agreement

The Agreement

Comments

The Board is of the view that it is erroneous to assume that simply because the Disposal consideration is less than the consideration under the Share Purchase Agreement, the Disposal consideration had to be unfair and unreasonable and not in the interest of Shareholders as a whole. A change in circumstances itself would be sufficient to justify a different consideration, and what is fair and reasonable and in the interest of Shareholders should be assessed on the basis of current circumstances rather than an action that took place in the past. The Board of Directors, after taking into account the circumstances surrounding the Disposal, came to the view that the terms of the Disposal are fair and reasonable and in the interest of Shareholders as a whole. In fact, as mentioned under “Basis of the consideration” above, the Board believes that proceeding with the Disposal is the optimal path the Company could take based on current circumstances.

As for (4), the Board maintains a similar view on the future prospects of the banking industry in Hong Kong. However, the Board holds a different view on the prospects of LCH Investment and Chong Hing Bank as there will likely be hostility between the Company (as a 23.43% beneficial owner in Liu’s Holdings) and the Remaining Shareholders should the Company remain involved in Liu’s Holdings.

See “Basis of the consideration” above and “Information on the Group and reasons for and benefits of the Disposal” below for further details.

Basis of the consideration for the Disposal

See “Basis of the consideration” above. Importantly, the consideration was determined by reference to, amongst others, the price in Liu’s Holdings’ Offer.

See “Basis of the consideration” above and “Information on the Group and reasons for and benefits of the Disposal” below.

LETTER FROM THE BOARD

INFORMATION ON THE GROUP AND REASONS FOR AND BENEFITS OF THE DISPOSAL

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

- (A) The Board originally decided to enter into the Share Purchase Agreement based on:
- (1) Mr. A Liu (the then and current single largest Shareholder of the Company) is the eldest of the Liu third generation and a long time member of the board of directors of LCH Investment and Chong Hing Bank.
 - (2) Given the Company's and Mr. A Liu's wealth of experience in the financial services industry, the Company can bring value and make contributions to the management and operations of Liu's Holdings, LCH Investment and Chong Hing Bank.

The Board therefore believed that the Company's acquisition of the 23.43% Beneficial Interests would be welcomed by Liu's Holdings and the Remaining Shareholders.

- (B) The Company has always intended for the acquisition of the 23.43% Beneficial Interests to be on a friendly and co-operative basis, and thought it could convince the Remaining Shareholders of the friendly and co-operative nature of the acquisition. The Company did not expressly state this intention in its circular dated 30 December 2010, nor did it expressly state this intention upon receipt of the 17 January 2011 letter (defined below). This intention, however, is implied as there is nothing in that circular (or other documents published by the Company) which point in the direction that the Company is embarking on a hostile acquisition. The Company considers friendly and co-operative acquisitions to be the norm.

In addition, the Company has also been open to further increasing its direct and/or indirect ownership in Liu's Holdings, LCH Investment and/or Chong Hing Bank as and when opportunity arises. This is so that, amongst other things, the Company has a shareholding which is significant enough to put it in a position to help the performance of these companies, thereby benefiting all their shareholders and investors.

As at the date of the Company's announcement (10 December 2010) and the latest practicable date prior to the printing of the shareholders' circular (24 December 2010) with respect to the Share Purchase Agreement, there were no discussions with any other party concerning the purchase of shares in Liu's Holdings, LCH Investment and/or Chong Hing Bank apart from those shares that were the subject of the Share Purchase Agreement. The Share Purchase Agreement to acquire the 23.43% Beneficial Interests was executed without agreement (whether in writing or verbal) on further acquisitions.

LETTER FROM THE BOARD

Despite there was no agreement on further acquisitions, the Board believed the consideration under the Share Purchase Agreement was attractive enough to potentially entice one or more of the Remaining Shareholders to consider exiting from Liu's Holdings (being a private company whose shares are illiquid and not publicly traded). The acquisition consideration under the Share Purchase Agreement was equivalent to approximately HK\$12.5 per LCH Investment share, as compared with LCH Investment's share price of HK\$9.46 as at the date of the Share Purchase Agreement. The Company also did not rule out the possibility of paying a higher price in order to accumulate additional stakes in Liu's Holdings. Consequently, the Board believed that there was a genuine possibility that the Company could, through the potential acquisition of additional stakes, be in a position to help the performance of Liu's Holdings, LCH Investment and Chong Hing Bank.

The Company received a letter from Deacons (writing on behalf of all the Remaining Shareholders) on 17 January 2011 (the "17 January 2011 letter"), voicing out the Remaining Shareholders' objection to the acquisition by the Company under the Share Purchase Agreement and claiming that the Share Purchase Agreement contravened the Deed. Apart from reviewing the 17 January 2011 letter, no additional due diligence work was done by the Board before completion of the Share Purchase Agreement: the Board was of the view that (i) the objection was directed at Mr. L M Liu and Mrs. Liu and not the Company, (ii) the objection was not supported with sound legal basis, (iii) the Company was not party to the Deed, no lawsuit was threatened against the Company, and no injunction was sought to stop the acquisition under the Share Purchase Agreement from going ahead, and (iv) the Company had received legal opinion that the Share Purchase Agreement is legally binding and can be enforced. As a result of (i) to (iv) as well as (A)(1) and (A)(2) above, the Company considered the genuine possibility mentioned in the previous paragraph still held true even after receipt of the 17 January 2011 letter because the Company considered that (i) it could still convince the Remaining Shareholders of the friendly and co-operative nature of the transaction as mentioned in (B) above, such that there will not be a hostile situation and the support or contribution the Company could offer to Liu's Holdings, LCH Investment and Chong Hing Bank will be welcomed, and (ii) there was room for negotiation, even after receipt of the 17 January 2011 letter. As a result, the Board did not consider the 17 January 2011 letter to have borne any effect and impact on the transactions contemplated under the Share Purchase Agreement, decided that no action was required, and no public announcement of the 17 January 2011 letter and no postponement or adjournment of the shareholders' meeting held for the purpose of approving the Share Purchase Agreement, or the completion of the Share Purchase Agreement itself, was considered to be necessary. On the basis of the above, the Board considered it to have acted in the best interests of the Company and its Shareholders to proceed with completion of the Share Purchase Agreement notwithstanding receipt of the 17 January 2011 letter. The views and considerations mentioned in this paragraph are held by all the Directors (except Mr. W Liu and Mr. Cheng Chi Ming, Brian who were appointed as Directors on 19 January 2011 and Ms. Chow Mun Yee who was appointed as Director on 28 February 2011, i.e. after receipt of the 17 January letter and the extraordinary general meeting which approved the Share Purchase Agreement).

LETTER FROM THE BOARD

The Company understands that of the Remaining Shareholders, Liu Lit Chi (holding an approximately 25.56% shareholding in Liu's Holdings) and Liu Lit Chung (holding an approximately 10% shareholding in Liu's Holdings) were the two shareholders who were most unhappy about the acquisition under the Share Purchase Agreement, claiming that the acquisition was in contravention of the Deed.

Between the period from completion of the Share Purchase Agreement to 27 April 2011, Mr. A Liu (being the eldest of the Liu third generation and long time member of the board of directors of LCH Investment and Chong Hing Bank) held discussions and negotiations with the following shareholders of Liu's Holdings, all for the purposes of getting their approval to effect the transfer to the Company of the legal title to the Sale Shares and/or to sell their shareholdings in Liu's Holdings to the Company. All of the attempts were in vain.

- Estate of Liu Lit For (holding approximately 15.36% shareholding in Liu's Holdings)
- Liu Lit Mo (holding approximately 21.65% shareholding in Liu's Holdings) and his son Mr. W Liu
- Liu Lit Chi (holding approximately 25.56% shareholding in Liu's Holdings)

Nonetheless, the existence of such discussions and negotiations validated the Company's expectation that the Remaining Shareholders were still open to further negotiations with the Company even after the 17 January 2011 letter was received by the Company. Had the Company been successful, the Company would have obtained legal title to the Sale Shares and/or been able to acquire additional stakes in Liu's Holdings.

After the completion of the Share Purchase Agreement, Mrs. Liu (representing herself and as the lawful attorney of Mr. L M Liu) also repeatedly spoke to Liu Lit Chi (as representative of Liu's Holdings) to persuade Liu's Holdings to effect the transfer of the legal title in the Sale Shares to the Company.

As there were many discussions and negotiations that Mr. A Liu and Mrs. Liu had with the Remaining Shareholders, Mr. A Liu and Mrs. Liu could not recall the exact date and details of each such discussion and negotiation. However, as more discussions and negotiations were held, the more resolute the Remaining Shareholders had become in opposing the transaction under the Share Purchase Agreement. As mentioned above, all these discussions and negotiations took place after completion of the Share Purchase Agreement.

The Company did not concern itself with the exact date and details of each such discussion and negotiation. The Company is concerned with the outcome of such discussions and negotiations, and it is the outcome itself which is subject to Board approval and (where required) Shareholders' or Independent Shareholders' approval. The outcome in the present case (as mentioned below) is that there is no room for further negotiation and Liu Lit Mo, Liu Lit Chi and Liu Lit Chung have (through Liu's Holdings) issued the Liu's Holdings' Offer.

LETTER FROM THE BOARD

However, even with the Company's good intentions, it is clear from Liu's Holdings' Offer that the Remaining Shareholders are now very firmly against the Company's acquisition of the 23.43% Beneficial Interests and there was no room for further negotiation. Given the Remaining Shareholders are all members of the Liu family (or their estates), the Board believes that the attitude held by Liu Lit Chi and Liu Lit Chung affected all the other Remaining Shareholders and increasingly turned them against the acquisition under the Share Purchase Agreement. The Board believes the following changes took place after completion of the Share Purchase Agreement:

1. Once the Share Purchase Agreement was completed, the chemistry within the Liu family changed. The Remaining Shareholders realized that as their eldest brother (ie, Mr. L M Liu, the eldest of the Liu second generation and Honorary Chairman of both LCH Investment and Chong Hing Bank) and his wife have sold out their entire beneficial interests in Liu's Holdings, there is now an opportunity for the Remaining Shareholders to take control. The Remaining Shareholders saw the Company as an outsider, and decided they did not want to allow Liu's Holdings, LCH Investment and Chong Hing Bank to fall in the hands of the Company.
2. As time went by, the Remaining Shareholders gained an increasing apprehension that the Company could potentially (via the acquisition of additional beneficial interests in Liu's Holdings) relatively easily gain control of Liu's Holdings (and hence LCH Investment and Chong Hing Bank) with a relatively modest amount of money – this made the Remaining Shareholders increasingly concerned and nervous about the acquisition under the Share Purchase Agreement.

The above explains why the objection by the Remaining Shareholders became significantly stronger as time passed, and ultimately resulted in the Remaining Shareholders being very firmly against the Company's acquisition of the 23.43% Beneficial Interests.

In summary, circumstances have therefore changed between the date of the Share Purchase Agreement and the date of the Agreement as follows:–

- (A) the Remaining Shareholders are now very firmly against the Company's acquisition of the 23.43% Beneficial Interests as mentioned above. There is no longer room for further negotiation (whereas there were actual negotiations that took place after the Share Purchase Agreement was completed);
- (B) all the other Remaining Shareholders, including Liu Lit Mo, estate of Liu Lit For, Liu Mei Kum and estate of Liu Lit To, have been affected by Liu Lit Chi and Liu Lit Chung as mentioned above;

LETTER FROM THE BOARD

- (C) the Company intended to engage in a friendly acquisition of the 23.43% Beneficial Interests. However, given the Remaining Shareholders are now very firmly against the acquisition, the continued involvement by the Company in Liu's Holdings would likely result in a hostile situation between the Company and the Remaining Shareholders. Such hostility could affect the normal business operations of Liu's Holdings, LCH Investment and Chong Hing Bank, thereby in turn affecting the interests of the Company (as the owner of the 23.43% Beneficial Interests) in a material and adverse manner;
- (D) given the Remaining Shareholders are now very firmly against the acquisition under the Share Purchase Agreement, any support or contribution the Company could offer to Liu's Holdings, LCH Investment and Chong Hing Bank as owner of the 23.43% Beneficial Interests is not welcomed; and
- (E) the ability of the Company to accumulate additional beneficial interests in Liu's Holdings (or to do so at a reasonable and acceptable price) is also limited now. The 23.43% Beneficial Interests in Liu's Holdings, in and of itself, is of a lesser strategic value to the Company as compared to the situation where the Company were able to control, manage and/or assert influence over Liu's Holdings, LCH Investment and/or Chong Hing Bank. The Company did not expressly state the previous sentence in its circular dated 30 December 2010, nor did it expressly state that sentence upon receipt of the 17 January 2011 letter. The Company considers that it goes without saying that a stake which gives control, management rights and influence is almost in all circumstances strategically more valuable than a minority stake. The Company considers the present case to be no different from the norm. The Board of Directors' views on the future prospects of LCH Investment and Chong Hing Bank at the time of the announcement of the Share Purchase Agreement (where there was a genuine possibility that the Company could, through the potential acquisition of additional stakes, be in a position to help the performance of these companies) are therefore also different from the views held as at the date of the Agreement (where the continued involvement by the Company in Liu's Holdings would likely result in hostility and conflicts between the Company and the Remaining Shareholders). Having said that, and even though the Company's circular dated 30 December 2010 clearly states that the Company is open to further increasing its direct and/or indirect ownership in Liu's Holdings, LCH Investment and/or Chong Hing Bank as and when opportunity arises, at the time of execution of the Share Purchase Agreement, the Board did not consider acquiring additional stakes in Liu's Holdings to be a pre-requisite to continuing to hold onto the 23.43% Beneficial Interests as a long term investment. In addition, the inability to increase the Company's shareholding in Liu's Holdings is but only one of the many factors that the Board considered together as a package at the time it approved the execution of the Agreement.

LETTER FROM THE BOARD

The other considerations taken into account by the Board when considering the Agreement include:-

- (1) the illiquid nature of shareholding interests in Liu's Holdings, which is an unlisted private holding company; and
- (2) the Agreement allows the Company to free up cash for other investment opportunities in the financial services sector, including for example, expansion into the fund management business as outlined in the Company's announcement dated 3 March 2011.

Although Mr. L M Liu and Mrs. Liu are the parents of Mr. A Liu, and Mr. L M Liu is also a brother of the Remaining Shareholders, the existence of the family relationship does not in and of itself make the Disposal not in the interest of Shareholders as a whole. The existence of the family relationship, however, results in the Disposal being a connected transaction (as defined in the Listing Rules) and subject to Independent Shareholders' approval. There was a period of slightly more than 5 months between the Share Purchase Agreement and the Agreement, and even though it was only slightly more than 5 months, circumstances could and did change (as mentioned above) during this period. The Board also notes that the Disposal is at an approximately 15% discount to the acquisition price under the Share Purchase Agreement. However, the Board is of the view that the acquisition price is irrelevant when considering whether the terms of the Disposal are fair and reasonable and in the interest of Shareholders. Whether the terms of the Disposal are fair and reasonable and in the interest of Shareholders must be assessed purely on the basis of their merits after taking into consideration the surrounding circumstances at the time of the Disposal.

After taking into consideration the circumstances surrounding the Disposal, the Board of Directors considered the terms of the Disposal to be fair and reasonable and in the interests of Shareholders as a whole, and proceeding with the Disposal is the optimal path for the Company.

Given Mr. A Liu's and Mr. W Liu's relationship with Mr. L M Liu, Mrs. Liu and the Remaining Shareholders, each of Mr. A Liu and Mr. W Liu avoided conflict of interests by:-

- (a) disclosing his conflict at the Board meetings held for approving the Share Purchase Agreement and the Agreement; and
- (b) abstaining from voting at the above-mentioned Board meetings.

The Board of Directors therefore fulfilled their fiduciary duties as required under the Listing Rules because they have (i) considered all the relevant surrounding circumstances around the Disposal when forming their views and making their recommendations to the Independent Shareholders and have therefore acted honestly, for proper purpose and in good faith in the interests of Shareholders as a whole, (ii) attempted to negotiate a better price for the Disposal, (iii) disclosed fully and fairly their interests in the Disposal, (iv) avoided actual and potential conflicts of interest and duty by

LETTER FROM THE BOARD

abstaining from voting, (v) applied skill, care and diligence in assessing the terms of the Disposal and the relevant surrounding circumstances, and (vi) freeing up cash through the Disposal and intending to make appropriate application of such cash to other investment opportunities in the financial services sector to potentially generate a more lucrative return.

The Board also considered what other alternatives are available to the Company. Such alternatives include starting a legal battle to set aside provisions in the Deed in order to effect the transfer of the legal title of the Sale Shares to the Company. The Company is not obliged to obtain legal title to the Sale Shares. However, being able to win such a legal battle and set aside provisions in the Deed would mean that the acquisition under the Share Purchase Agreement is sanctioned and recognized by the courts, and will completely undermine the basis of the Remaining Shareholders' dissatisfaction with the Share Purchase Agreement. In considering this alternative, the Board had regard to the legal opinion below, including legal counsel's recommendation that the Company should not apply to court in an attempt to set aside provisions in the Deed. The Board did not consider it to be in the best interest of the Company and its Shareholders for the Company to engage in protracted legal proceedings in order to obtain legal title to the Sale Shares, where the costs are potentially very high and the outcome unpredictable. The Board also considered holding onto the 23.43% Beneficial Interests as a long term investment (which was the original intention), but decided this is not in the interest of Shareholders as a whole given the change in circumstances outlined above. The Board also considered whether there would be other potential buyers for the 23.43% Beneficial Interests, but decided that this would be unlikely. As mentioned in the Company's circular dated 30 December 2010, the Company has always been aware that should the Company decide to sell the 23.43% Beneficial Interests, it may not be able to find a buyer given the provisions in the Deed.

LEGAL ADVICE OBTAINED BY THE COMPANY

As mentioned in the Earlier Announcement, the Company sought legal advice and received a legal opinion, a summary of which is set out below:–

- (1) The Deed contains certain provisions governing the transfer of shares in Liu's Holdings by its shareholders, which set out certain procedures to be followed when a shareholder wishes to transfer his or her shares in Liu's Holdings. The intending transferor has to invite other shareholders to consider purchasing his/her shares at a price with reference to the average trading price quoted on the Stock Exchange.
- (2) In the Articles of Association, there are provisions allowing the board to refuse registration of the incoming shareholders in Liu's Holdings' records as shareholders. Any person who has acquired interests of the shares from an existing shareholder shall not be able to compel Liu's Holdings to register his/her interests as shareholder in Liu's Holdings' records.

LETTER FROM THE BOARD

- (3) Looking at the provisions in the Deed and the Articles of Association in their aggregate, the Deed provides the shareholders of Liu's Holdings a pre-emption right to purchase the shares from that shareholder who wants to sell his/her shares. The parties to the Deed may have the right to challenge the enforceability of this provision to the court on the ground that effectively such restriction on transferability of the shares may give rise to perpetuity.
- (4) As in all litigation, no one can predict an absolute outcome of the proceeding. In this case, legal counsel does not recommend the Company to apply to court to set aside that provision in the Deed as the court may say that the Deed does not violate the general principle against perpetuity as there is a pre-emption right and mechanism available to shareholders who want to transfer their shares.
- (5) The Company has no legal standing before a court to commence legal proceedings for the purpose of challenging the provisions in the Deed and the Articles of Association as the Company is not party to the Deed and is not a shareholder registered in Liu's Holdings' records. The legal action, if any, shall have to be commenced in the name of Mr. L M Liu and Mrs. Liu.
- (6) Litigation costs are difficult to assess. Hong Kong is notorious for the high costs in litigation. There are a number of factors governing legal costs, including the type of advocates the Company prefers. Generally speaking, the losing party shall bear the costs of the winner. According to legal counsel's experience, Hong Kong courts are very busy, and a litigation may last for years and the losing party can always have a right to appeal to the Court of Appeal and in some cases to the Court of Final Appeal.

INFORMATION ON MR. L M LIU

Mr. L M Liu is the legal owner of 149,091 shares in Liu's Holdings. He and Mrs. Liu together are also the legal owner of another 26,623 shares in Liu's Holdings. He is Honorary Chairman of both LCH Investment and Chong Hing Bank. Mr. L M Liu is also the father of Mr. A Liu.

INFORMATION ON MRS. LIU

Mrs. Liu, together with Mr. L M Liu, are the legal owner of 26,623 shares in Liu's Holdings. Mrs. Liu is the mother of Mr. A Liu.

INFORMATION ON MR. A LIU

Mr. A Liu is the lawful son of Mr. L M Liu and Mrs. Liu. He is a non-executive Director and substantial Shareholder of the Company. As at the Latest Practicable Date, Mr. A Liu holds 830,678,634 Shares (approximately 17.62% of total issued share capital of the Company).

LETTER FROM THE BOARD

INFORMATION ON LIU'S HOLDINGS

Liu's Holdings is an investment holding company and is mandated to hold the shares, stocks and securities in LCH Investment and to receive and distribute dividends from time to time declared by LCH Investment. As of the Latest Practicable Date, Liu's Holdings holds an approximate 45.33% interest in LCH Investment, and LCH Investment in turn holds an approximate 48.52% interest in Chong Hing Bank through its wholly-owned subsidiary Liu Chong Hing Estate Company, Limited. LCH Investment is engaged in property investment, property development, property management, banking and finance, trading and manufacturing and hotel operation. Chong Hing Bank's principle business is banking, and holds a banking licence issued by the Hong Kong Monetary Authority and is subject to its regulations.

Based on the latest audited accounts of Liu's Holdings as at and for the year ended 31 December 2010, the value of the total assets and net assets of Liu's Holdings as at 31 December 2010 were approximately HK\$3.94 million and HK\$3.92 million, respectively. The excess of the aggregate consideration over the net book value in respect of the Sale Shares is approximately HK\$424.8 million. The Directors understand that Liu's Holdings has been accounting for its interest in LCH Investment as an investment at cost, and has not been adopting the equity method of accounting.

Based on the latest published audited accounts of LCH Investment as at and for the year ended 31 December 2010, the value of the total assets and net assets (excluding minority interests) of LCH Investment as at 31 December 2010 were approximately HK\$11.66 billion and HK\$7.06 billion, respectively.

Based on the latest published audited accounts of Chong Hing Bank as at and for the year ended 31 December 2010, the value of the total assets and net assets of Chong Hing Bank as at 31 December 2010 were approximately HK\$74.29 billion and HK\$6.58 billion, respectively.

LETTER FROM THE BOARD

Further financial information of Liu's Holdings, LCH Investment and Chong Hing Bank is set out as below:

Liu's Holdings

	For the year ended 31 December	
	2009	2010
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(audited)	(audited)
Turnover	22,308	34,320
Net profit before and after taxation	21,786	33,790

LCH Investment

	For the year ended 31 December	
	2009	2010
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(audited)	(audited)
Turnover	293,602	337,995
Net profit before taxation	407,861	568,433
Net profit after taxation	350,566	502,893

Chong Hing Bank

	For the year ended 31 December	
	2009	2010
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(audited)	(audited)
Net Interest Income	823,331	816,127
Net fee and commission income	263,629	240,174
Net profit before taxation	264,383	568,319
Net profit after taxation	231,748	476,162

LETTER FROM THE BOARD

FINANCIAL EFFECT OF THE DISPOSAL

Based on the existing information available to the Company, the Directors estimate that the loss expected to be recorded in the Group's consolidated financial statements in respect of the Sale Shares is approximately HK\$76.8 million. The estimated loss represents the difference between the aggregate consideration of approximately HK\$425.7 million and the investment cost of approximately HK\$502.5 million paid by the Group pursuant to the Share Purchase Agreement.

As mentioned above, on 5 May 2011, Ambition received an amount of HK\$5,974,276, being the final dividends for the year ended 31 December 2010 declared by Liu's Holdings in respect of the Sale Shares. Such final dividends are expected to be recognized as income of the Group during the year ending 31 March 2012.

After Completion, the Group will no longer be entitled to future dividends from Liu's Holdings. The HK\$502,542,037.50 cost of acquisition of the Sale Shares will no longer be recorded as an asset of the Group. The Group expects to record a loss as mentioned above, and the Group's cash position will be increased by HK\$425,729,493.92 (before taking into account documentation and other costs in respect of the Disposal).

It should be noted that the aforementioned estimations and expectations are for illustrative purpose only and do not purport to represent how the financial position of the Group will be after the Disposal.

LISTING RULES IMPLICATION

As the applicable percentage ratios (as defined under the Listing Rules) for the Disposal are more than 25% but less than 75%, the Disposal constitutes a major transaction of the Company under Chapter 14 of the Listing Rules. Mr. L M Liu and Mrs. Liu are parents of Mr. A Liu. Mr. Winston Liu is the son of Dr. Liu Lit Mo, *LLD, MBE, JP* (who is one of the shareholders of Liu's Holdings). Mr. Winston Liu is also a cousin of Mr. A Liu. Mr. A Liu is a non-executive Director and a substantial Shareholder of the Company and Mr. Winston Liu is a non-executive Director of the Company. Mr. A Liu and Mr. Winston Liu are connected persons of the Company and the Disposal constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules. The Disposal is therefore subject to the reporting, announcement and independent shareholders' approval requirements. Accordingly, the Company will seek Independent Shareholders' approval at the EGM by way of poll for the Agreement and the transactions contemplated therein.

LETTER FROM THE BOARD

EGM

The EGM will be held by the Company on Tuesday, 12 July 2011 at 9:00 a.m. at 30th Floor, China United Centre, 28 Marble Road, North Point, Hong Kong for the Independent Shareholders to consider, and if thought fit, passing the resolution to approve the Agreement and the transactions contemplated thereunder.

Mr. A Liu, Mr. Winston Liu, Mr. L M Liu and Mrs. Liu (to the extent they hold any Shares) having a material interest in the Disposal and their respective associates shall abstain from voting on the resolution in relation to the Agreement to be proposed at the EGM. As at the Latest Practicable Date, Mr. A Liu held 830,678,634 Shares, representing approximately 17.62% of the total issued share capital of the Company and shall abstain from voting at the EGM. Further, save that Mr. A Liu and Mr. Winston Liu have material interests in the transactions contemplated under the Agreement, none of the Directors has any material interests in the transaction and is required to abstain from voting on the relevant board resolution.

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

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

RECOMMENDATION

After taking into account the Company's current situation and surrounding circumstances, and on the basis set out in the sections headed "Information on the Group and reasons for and benefits of the Disposal" and "Basis of the consideration" above, the Board of Directors (excluding the independent non-executive Directors whose views are expressed in the section under "Letter from the Independent Board Committee") considered the terms of the Agreement are fair and reasonable and in the interests of Shareholders as a whole.

Pursuant to the articles of association of the Company, Mr. A Liu and Mr. Winston Liu are not allowed to and did not vote at the Board meeting due to their material interests.

LETTER FROM THE BOARD

The Independent Board Committee comprising all the independent non-executive Directors has been established to advise the Independent Shareholders in respect of the Agreement and the transactions contemplated thereunder. Guangdong Securities has been appointed to advise the Independent Board Committee and the Independent Shareholders in these respects. Your attention is drawn to (i) the letter from the Independent Board Committee; and (ii) the letter of advice from Guangdong Securities, which are set out in this circular.

Accordingly, the Board recommends the Shareholders to vote in favour of the proposed ordinary resolution to approve the Agreement and the transactions contemplated thereunder at the EGM.

ADDITIONAL INFORMATION

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

By order of the Board of
FREEMAN FINANCIAL CORPORATION LIMITED
Hui Quincy Kwong Hei
Managing Director

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

The following is the text of a letter of recommendation from the Independent Board Committee to the Independent Shareholders prepared for the purpose of inclusion in this circular.



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)

25 June 2011

To the Independent Shareholders

Dear Sir or Madam,

MAJOR AND CONNECTED TRANSACTION IN RELATION TO THE DISPOSAL OF 23.43% BENEFICIAL INTERESTS IN LIU'S HOLDINGS LIMITED

We refer to the circular from the Company to the Shareholders dated 25 June 2011 (the “Circular”) of which this letter forms part. Terms defined in the Circular shall have the same meanings when used herein unless the context otherwise requires.

The Independent Board Committee comprising all independent non-executive Directors has been formed in order to make a recommendation to the Independent Shareholders in respect of the proposed Disposal of the 23.43% Beneficial Interests in Liu’s Holdings, details of which are set out in the “Letter from Guangdong Securities” set out on pages 29 to 49 of the Circular, which contains Guangdong Securities’ advice regarding the proposed Disposal of the 23.43% Beneficial Interests in Liu’s Holdings.

Guangdong Securities has been appointed to advise the Independent Board Committee and the Independent Shareholders. Details of its advice and its principal factors taken into consideration in arriving at its recommendation are set out in the “Letter from Guangdong Securities” set out on pages 29 to 49 of the Circular. Your attention is also drawn to the letter from the Board and the additional information set out in the appendices to the Circular.

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

We understand that Liu's Holdings' Offer for the 150,540 Sale Shares (including the consideration set out therein) was made by Liu Lit Mo, Liu Lit Chi and Liu Lit Chung through Liu's Holdings. We also understand that the consideration for the remaining 25,174 Sale Shares was calculated using the same price per share offered in Liu's Holdings' Offer. There is nothing to lead us to believe that Mr. A Liu was acting in concert with Liu Lit Mo, Liu Lit Chi and Liu Lit Chung. We therefore consider the Disposal consideration was agreed upon after arm's length negotiations.

Having taken into account the advice of Guangdong Securities, we consider the terms of the Agreement are fair and reasonable and the proposed Disposal of the 23.43% Beneficial Interests in Liu's Holdings is in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Shareholders to vote in favour of the resolution to be proposed at the EGM to approve the Agreement and the transactions contemplated thereunder.

Yours faithfully,

For and on behalf of the
Independent Board Committee

**Mr. Gary Drew
Douglas**
*Independent
non-executive
Director*

**Mr. Peter Temple
Whitelam**
*Independent
non-executive
Director*

**Dr. Agustin
V. Que**
*Independent
non-executive
Director*

**Mr. Yau Chung
Hong**
*Independent
non-executive
Director*

LETTER FROM GUANGDONG SECURITIES

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



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

25 June 2011

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

Dear Sirs,

MAJOR AND CONNECTED TRANSACTION IN RELATION TO THE DISPOSAL OF 23.43% BENEFICIAL INTERESTS IN LIU'S HOLDINGS LIMITED

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Disposal, details of which are set out in the letter from the Board (the "**Board Letter**") contained in the circular dated 24 June 2011 issued by the Company to the Shareholders (the "**Circular**"), of which this letter forms part. Terms used in this letter shall have the same meanings as defined in the Circular unless the context requires otherwise.

On 17 May 2011, Ambition, being a wholly-owned subsidiary of the Company, entered into the Agreement with Mr. L M Liu and Mrs. Liu (collectively, the "**Lius**") and Mr. A Liu, pursuant to which Ambition has conditionally agreed to sell and the Lius have conditionally agreed to purchase the Sale Shares for an aggregate consideration of HK\$425,729,493.92 (the "**Consideration**").

As the applicable percentage ratios (as defined under the Listing Rules) for the Disposal are more than 25% but less than 75%, the Disposal constitutes a major transaction for the Company under Chapter 14 of the Listing Rules. Given that Mr. A Liu and Mr. W Liu are connected persons of the Company, the Disposal also constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules. Accordingly, the Disposal is subject to the reporting, announcement and independent shareholders' approval requirements. The EGM will be held by the Company for the Independent Shareholders to consider, and if thought fit, passing the resolution(s) to approve the Agreement and the transactions contemplated thereunder; whereby Mr. A Liu, Mr. W Liu and the Lius (to the extent

LETTER FROM GUANGDONG SECURITIES

that they hold any Shares) having a material interest in the Disposal and their respective associates will abstain from voting on the relevant resolution(s) at the EGM.

The Independent Board Committee comprising Mr. Gary Drew Douglas, Mr. Peter Temple Whitelam, Dr. Agustin V. Que and Mr. Yau Chung Hong (all being independent non-executive Directors) has been established to advise the Independent Shareholders on (i) whether the terms of the Agreement are fair and reasonable so far as the Independent Shareholders are concerned; (ii) whether the Disposal is in the interests of the Company and the Shareholders as a whole; and (iii) how the Independent Shareholders should vote in respect of the resolution(s) to approve the Agreement and the transactions contemplated thereunder at the EGM. We, Guangdong Securities, have been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this respect.

BASIS OF OUR OPINION

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

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

We consider that we have been provided with sufficient information to reach an informed view and to provide a reasonable basis for our opinion. We have not, however, conducted any independent in-depth investigation into the business and affairs of the Company, Ambition, the Lius, Mr. A Liu, Liu's Holdings or their respective subsidiaries or associates, nor have we considered the taxation implication on the Group or the Shareholders as a result of the Disposal. Our opinion is necessarily based on the financial, economic, market and other conditions in effect and the information made available to us as at the Latest Practicable Date. Shareholders should note that subsequent developments (including any material change in market and economic conditions) may affect and/or change our

LETTER FROM GUANGDONG SECURITIES

opinion and we have no obligation to update this opinion to take into account events occurring after the Latest Practicable Date or to update, revise or reaffirm our opinion. In addition, nothing contained in this letter should be construed as a recommendation to hold, sell or buy any Shares or any other securities of the Company.

Lastly, where information in this letter has been extracted from published or otherwise publicly available sources, the sole responsibility of Guangdong Securities is to ensure that such information has been correctly extracted from the relevant sources.

PRINCIPAL FACTORS AND REASONS CONSIDERED

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

1. Background of and reasons for the Disposal

The Share Purchase Agreement

On 8 December 2010, the parties to the Agreement entered into the Share Purchase Agreement, pursuant to which the Lius agreed, among other things, (i) to sell and transfer all of their respective beneficial rights, interests, entitlements, claims and undeclared dividends in the Sale Shares to Ambition; and (ii) to hold on trust the legal title of the Sale Shares for Ambition pending registration of Ambition as holder of the Sale Shares in the register of members of Liu's Holdings. The total consideration paid by Ambition for the Sale Shares is HK\$502,542,037.50 (the "**Original Cost**").

As disclosed in the circular of the Company dated 30 December 2010 (the "**December Circular**"), in light of the unfavourable provisions of the Deed, the parties to the Share Purchase Agreement agreed that rather than transferring their shares of Liu's Holdings to the Company, the Lius will transfer the beneficial interest of the Sale Shares to Ambition upon completion of the Share Purchase Agreement. Furthermore, the Share Purchase Agreement specifically provides that the Lius will hold on trust the legal title of the Sale Shares for Ambition pending the resolution of transferability issues in the Deed and the ultimate registration of Ambition or its nominee as holder of the Sale Shares in the register of members of Liu's Holdings.

In this regard, Mr. A Liu has undertaken to take all measures and efforts within his control and power to prevent the Lius to divest and bequeath any of their interests in the Sale Shares after completion of the Share Purchase Agreement. The Lius have also agreed to provide certain reasonable assistance, in order to effect the terms of the Share Purchase Agreement and the full and complete transfer of the legal title of the Sale Shares to Ambition after completion of the Share Purchase Agreement.

LETTER FROM GUANGDONG SECURITIES

In addition, the Company obtained a legal opinion (the “**Share Purchase Legal Opinion**”) to the effect, among other things, that:

- (a) The transaction contemplated in the Share Purchase Agreement is legally binding on the parties thereto.
- (b) There are no restrictions for the parties to enter into the Share Purchase Agreement, and the transaction contemplated in the Share Purchase Agreement is legal and enforceable.
- (c) Upon fulfilment of the Conditions (as defined in the December Circular), Ambition is entitled to have acquired the beneficial interest of the Sale Shares.
- (d) Ambition can enforce the Share Purchase Agreement and its rights thereunder against the Lius and Mr. A Liu.
- (e) Nothing precludes Ambition from compelling the Lius to exercise their voting rights in respect of the Sale Shares.

The Share Purchase Agreement specifically provides that the obligations of the Lius shall bind their respective estates, assigns or successors, and the Directors were also satisfied with the credibility of Mr. A Liu in satisfying the guarantee and full indemnity provided by him under the Share Purchase Agreement. Furthermore, the obligations of the Lius and Mr. A Liu in the Share Purchase Agreement are enforceable by Ambition in a court of law, and nothing precludes Ambition from seeking an injunctive relief for specific performance in the event of any breach by the Lius and/or Mr. A Liu. Based on the foregoing approving factors (the “**Approving Factors**”) and the Share Purchase Legal Opinion, the Directors were of the view that the Company’s interests and the Shareholders’ interests are adequately protected.

The original intentions of the Company

With reference to the Board Letter, the Company has always intended to further increasing its direct and/or indirect ownership in Liu’s Holdings. Despite there was no agreement on further acquisitions, the Directors believed that given that the consideration under the Share Purchase Agreement represented a price per share of LCH Investment which was above its open market price as at the date of the Share Purchase Agreement, it was attractive enough to potentially entice one or more of the Remaining Shareholders to consider exiting from Liu’s Holdings (being a private company whose shares are illiquid and not publicly traded). The Company also did not rule out the possibility of paying a higher price in order to accumulate additional stakes in Liu’s Holdings. Consequently, the Directors believed that there was a genuine possibility that the Company could be able to acquire additional stakes in Liu’s Holdings despite the January Letter (for details, please refer to the sub-section headed “Reasons for the Disposal” of this letter and as also defined in the same sub-section).

LETTER FROM GUANGDONG SECURITIES

After completion of the Share Purchase Agreement, Ambition owns the beneficial interest but not the legal title (which still belongs to the Lius) of the Sale Shares, and the Company requested Mr. A Liu who is also a non-executive Director, to hold discussions and negotiations with the Remaining Shareholders to effect the transfer of the legal title of the Sale Shares as well as to potentially acquire their shareholding interests in Liu's Holdings.

Being the Independent Financial Adviser, we consider that it is beyond our scope, and as a matter of fact there is no feasible independent way, to investigate whether the discussions and negotiations were on arm's length basis and Mr. A Liu did not negotiate in a way to obtain an advantage for his parents. Given that Mr. A Liu is a non-executive Director, we consider that Mr. A Liu should have performed his fiduciary duties as required under Rule 3.08 of the Listing Rules when conducting the discussions and negotiations and there is no reason for us to believe the otherwise.

The Lius' Letter

Notwithstanding the Company's intention, Ambition received a letter from the Lius on 27 April 2011 (the "**Lius' Letter**") stating that:

- (a) After completion of the sale the 23.43% Beneficial Interests to Ambition, the Lius have used their utmost endeavours to convince the Remaining Shareholders to agree to transfer the legal title of the Sale Shares to Ambition.
- (b) Despite the efforts of the Lius, the request to transfer the legal title was denied and instead, after a pro-long period of consideration and negotiation, the Remaining Shareholders came up with the Liu's Holdings' Offer as described in paragraph (c) below.
- (c) The Liu's Holdings' Offer on behalf of the Remaining Shareholders is to purchase 150,540 shares of Liu's Holdings (out of the entire 175,714 Sale Shares) for a proposed consideration (after deducting 0.1% of stamp duty) of approximately HK\$364.7 million. The Company is not aware of how Liu's Holdings determined the price offered in the Liu's Holdings' Offer.
- (d) Of the remaining 25,174 shares of Liu's Holdings out of the entire 175,714 Sale Shares, the Lius have personally offered to purchase them at a consideration (after deducting 0.1% of stamp duty) of approximately HK\$61.0 million. The consideration is calculated using the same price per share of Liu's Holdings as that offered under the Liu's Holdings' Offer.

LETTER FROM GUANGDONG SECURITIES

Legal advice obtained by the Company

In relation to the Lius' Letter and the Proposals, the Company has sought legal advice and received a legal opinion (the "**Disposal Legal Opinion**") from its legal counsel (the "**Legal Counsel**"), the content of which as extracted from the Board Letter is summarised as follows:

- (a) The Deed contains certain provisions governing the transfer of the shares of Liu's Holdings (the "**Liu's Shares**") by its shareholders, which set out certain procedures to be followed when a shareholder of Liu's Holdings wishes to transfer his or her holding of the Liu's Shares. The intending transferor has to invite other shareholders of Liu's Holdings to consider purchasing his/her Liu's Shares at a price with reference to the average trading price of LCH Investment as quoted on the Stock Exchange.
- (b) In the Articles of Association, there are provisions allowing the board of Liu's Holdings to refuse registration of the incoming shareholders in Liu's Holdings' records as shareholders. Any person who has acquired interests of the Liu's Shares from an existing shareholder shall not be able to compel Liu's Holdings to register his/her interests as shareholder in Liu's Holdings' records.
- (c) Looking at the provisions in the Deed and the Articles of Association as a whole, the Deed provides the shareholders of Liu's Holdings a pre-emptive right to purchase the Liu's Shares from that shareholder who wants to sell his/her Liu's Shares (the "**Provision**"). The parties to the Deed may have the right to challenge the enforceability of the Provision to the court on the ground that effectively such restriction on transferability of the Liu's Shares may give rise to perpetuity.
- (d) As in all litigation, no one can predict an absolute outcome of the proceeding. In this case, the Legal Counsel does not recommend the Company to apply to court to set aside the Provision as the court may say that the Deed does not violate the general principle against perpetuity as there is a pre-emptive right and mechanism available to shareholders of Liu's Holdings who want to transfer their Liu's Shares.
- (e) The Company has no legal standing before a court to commence legal proceedings for the purpose of challenging the provisions of the Deed and the Articles of Association as the Company is not a party to the Deed and is not a shareholder registered in Liu's Holdings' records. The legal action, if any, shall have to be commenced in the name of the Lius.

LETTER FROM GUANGDONG SECURITIES

- (f) Litigation costs are difficult to assess. Hong Kong is notorious for the high costs in litigation. There are a number of factors governing legal costs, including the type of advocates the Company prefers. Generally speaking, the losing party shall bear the costs of the winner. According to the Legal Counsel's experience, courts in Hong Kong are very busy, and a litigation case may last for years and the losing party can always have a right to appeal to the Court of Appeal and in some cases to the Court of Final Appeal.

After reading through the Disposal Legal Opinion, we noted that the Legal Counsel did not express its view as to if the Company may acquire additional stakes in Liu's Holdings. The Disposal Legal Opinion only recommend the Company not to attempt to set aside the provisions of the Deed in order to effect the transfer of the legal title of the Sales Shares to the Company.

Information on Liu's Holdings

As referred to in the Board Letter, Liu's Holdings is an investment holding company and is mandated to hold the shares, stocks and securities in LCH Investment and to receive and distribute dividends from time to time declared by LCH Investment. As at the Latest Practicable Date, Liu's Holdings held an approximate 45.33% interest in LCH Investment, and LCH Investment in turn held an approximate 48.52% interest in Chong Hing Bank through its wholly-owned subsidiary Liu Chong Hing Estate Company, Limited. LCH Investment is engaged in property investment, property development, property management, banking and finance, trading and manufacturing and hotel operation. Chong Hing Bank's principal business is banking, and holds a banking licence issued by the Hong Kong Monetary Authority and is subject to its regulations.

To the best of the Directors' knowledge, Liu's Holdings has been accounting for its interest in LCH Investment as an investment at cost, and has not been adopting the equity method of accounting.

Set out below is the audited financial information of each of Liu's Holdings, LCH Investment and Chong Hing Bank for each of the two years ended 31 December 2010:

Liu's Holdings

	For the year ended 31 December 2010 HK\$	For the year ended 31 December 2009 HK\$
Turnover	34,320,000	22,308,000
Profit before and after tax	33,790,406	21,785,660

LETTER FROM GUANGDONG SECURITIES

	As at 31 December 2010 HK\$	As at 31 December 2009 HK\$
Total assets	3,941,777	3,526,372
Net assets	3,921,777	3,506,372

LCH Investment (Consolidated)

	For the year ended 31 December 2010 HK\$'000	For the year ended 31 December 2009 (Restated) HK\$'000
Revenue	337,995	293,602
Profit before tax	568,433	407,861
Profit for the year	502,893	350,566

	As at 31 December 2010 HK\$'000	As at 31 December 2009 (Restated) HK\$'000
Total assets	11,657,032	10,814,596
Net assets (excluding minority interests)	7,064,209	6,473,673

Chong Hing Bank (Consolidated)

	For the year ended 31 December 2010 HK\$'000	For the year ended 31 December 2009 HK\$'000
Net interest income	816,127	823,331
Net fee and commission income	240,174	263,629
Profit before taxation	568,319	264,383
Profit for the year	476,162	231,748

LETTER FROM GUANGDONG SECURITIES

	As at 31 December 2010 <i>HK\$'000</i>	As at 31 December 2009 <i>HK\$'000</i>
Total assets	74,289,013	70,005,526
Net assets	6,577,929	6,174,322

In addition, on 5 May 2011, Ambition received an amount of HK\$5,974,276, being the final dividends for the year ended 31 December 2010 declared by Liu's Holdings in respect of the Sale Shares. Such dividend payment represents a simple yield of around 1% to the Company as compared to the Original Cost (the "Yield").

Reasons for the Disposal

The Company has already outlined and explained its reasons for the Disposal from pages 14 to 20 of the Circular, under the section headed "Information on the Group and reasons for and benefits of the Disposal.

As the Independent Financial Adviser, we have discussed with the Directors to understand the background of the entering into of the Share Purchase Agreement as represented by the Directors and set forth in the foregoing sub-sections of this letter. We noted that the Directors' decision to enter into the Share Purchase Agreement was supported by the Approving Factors as well as the Share Purchase Legal Opinion. We further noted that the Remaining Shareholders did not fully support the Company's acquisition of the 23.43% Beneficial Interests as the Company received a letter from Deacons (writing on behalf of the Remaining Shareholders) on 17 January 2011 (the "**January Letter**"), stating that, among other things, the Remaining Shareholders object to the Share Purchase Agreement and the Share Purchase Agreement contravened the Deed. However, as confirmed by the Directors, the Company did in fact through Mr. A Liu engage in discussions and negotiations with the Remaining Shareholders regarding the transfer of the legal title of the Sale Shares to the Company and the accumulation of additional stakes in Liu's Holdings after receipt of the January Letter. We therefore concur with the Directors that the Remaining Shareholders were still open to further negotiations with the Company, and they had not yet been totally against the Company's involvement in Liu's Holdings, LCH Investment and/or Chong Hing Bank despite the January Letter. In addition, since the Company did not rule out the possibility of paying a higher price for the additional stakes in Liu's Holdings, we consider that the genuine possibility that the Company could be able to acquire additional stakes in Liu's Holdings might still be valid from the Company's perspective. In conclusion, the unfavourable factors that the Company owns only the beneficial interest but not the legal title of the Sale Shares and the Company is not in a position to control, manage and/or assert influence over Liu's Holdings, LCH Investment and/or Chong Hing Bank did pre-exist when the Company entered into the Share Purchase Agreement, but the Directors believed that it would be feasible to alter/make better the situation by acquiring additional stakes in Liu's Holdings; where such possibility genuinely existed.

LETTER FROM GUANGDONG SECURITIES

According to the Directors, certain attitudes of the Remaining Shareholders have changed after completion of the Share Purchase Agreement which has made the Remaining Shareholders increasingly against the Company's involvement in Liu's Holdings, LCH Investment and/or Chong Hing Bank. We have enquired into the Directors and requested the Company to provide us with the supporting documents, such as email correspondences and meeting notes, regarding the various discussions and negotiations which had been held between the Company's representative(s) and the Remaining Shareholders. We were informed by the Company that since those meetings were mainly face to face ad-hoc meetings, last minute appointments and informal family gatherings, there was no written document to support such discussions and negotiations, and our understanding on the discussion and negotiation process between the Company and the Remaining Shareholders is thus only based on the representation of the Directors during our discussions with them regarding the same. Moreover, although we consider that we are not in possession of sufficient information and evidence to opine on the occurrence of points (B) to (D) as stated on pages 17 and 18 of the Circular, we consider that the Remaining Shareholders had revealed their affirmed and final decision of not welcoming the Company's involvement in the aforesaid companies by the Liu's Holdings' Offer. Accordingly, we concur with the Directors that points (A) and (E) as stated on pages 17 and 18 of the Circular have indeed taken place. We believe that the extent and degree of certainty of the unsupportive attitude of the Remaining Shareholders have gradually changed/increased after completion of the Share Purchase Agreement, and the Remaining Shareholders had at last revealed their affirmed and final decision of being totally unsupportive to the Company by proposing the Liu's Holdings Offer.

Since the Company has already entered into the Share Purchase Agreement and the Share Purchase Agreement was approved by the independent shareholders of the Company at the extraordinary general meeting of the Company on 18 January 2011, we are of the view that when considering the Disposal, attention should be put on the existing situation which the Company is encountering. In view of the final totally unsupportive attitude of the Remaining Shareholders as indicated by the Liu's Holdings' Offer which would mean that it is no longer feasible for the Company to acquire additional stakes in Liu's Holdings, we concur with the Directors that the Company's existing 23.43% Beneficial Interests, in and of itself, are of strategically lesser value to the Company. Taking into account that the minority stake does not give the Company the ability to control, manage and/or assert influence over Liu's Holdings, LCH Investment and/or Chong Hing Bank and the ability of the Company as a minority to help the performance of these companies would also be limited, we consider that the only apparent return of the 23.43% Beneficial Interests to the Company would be the future dividend (if any) to be declared by Liu's Holdings in respect of the Sale Shares, which, by reference to the level of the Yield, is expected to be unattractive. Under such situation, we concur with the Directors that since the Disposal would allow the Company to free up cash for other investment opportunities in the financial services sector and thereby generating higher possible economic value to the Company and the Shareholders, the Disposal is in the interests of the Company and the Shareholders as a whole.

LETTER FROM GUANGDONG SECURITIES

2. Terms of the Agreement

The Agreement

Set out below are the principal terms of the Agreement dated 17 May 2011:

Parties: Ambition (as vendor)
The Lius (as purchasers)
Mr. A Liu

Subject: Pursuant to the Agreement, Ambition has conditionally agreed:-

- (a) to sell and transfer all its beneficial rights, interests, entitlements, claims and undeclared dividends in 150,540 of the Sale Shares (the “**Liu’s Holdings’ Offer Sale Shares**”) to the Lius for a consideration of HK\$364,736,549.20. Such consideration is the same price offered in the Liu’s Holdings’ Offer less 0.1% stamp duty; and
- (b) to sell and transfer all its beneficial rights, interests, entitlements, claims and undeclared dividends in 25,174 of the Sale Shares (the “**Remaining Sale Shares**”) to the Lius for a consideration of HK\$60,992,944.72. Such consideration is calculated using the same price per share offered in the Liu’s Holdings’ Offer less 0.1% stamp duty.

As referred to in Board Letter, the “real buyer” for the Liu’s Holdings’ Offer Sale Shares is actually three of the Remaining Shareholders, namely Mr. Liu Lit Mo (being father of Mr. W Liu and uncle of Mr. A Liu), Mr. Liu Lit Chi and Mr. Liu Lit Chung (both being uncles of Mr. A Liu and Mr. W Liu). The Lius are simply acting as “pass-through”. The three Remaining Shareholders mentioned above (through Liu’s Holdings) proposed the Liu’s Holdings’ Offer. However, as the Company only owns the beneficial interest of the Liu’s Holdings’ Offer Sale Shares, the beneficial interest thereto needs to be first sold to the Lius (who still own the legal title of the Sale Shares), before the “complete” shareholding can be sold to the three Remaining Shareholders mentioned above.

LETTER FROM GUANGDONG SECURITIES

As also referred to in the Board Letter, the Company understands that the Lius, once acquiring the beneficial interest of the Liu's Holdings' Offer Sale Shares from the Company, will sell the complete legal and beneficial interests of the Liu's Holdings' Offer Sale Shares to the three Remaining Shareholders mentioned above at the price stated in the Liu's Holdings' Offer.

On the other hand, the "real buyer" for the Remaining Sale Shares is the Lius and this is in order to help the Company to "cash-out" completely. Without this limb of the transaction, the Company will have to continue to hold on to the beneficial interest of the Remaining Sale Shares (as they are not included in the Liu's Holdings' Offer), which will be of an even lesser strategic value to the Company.

Consideration: Pursuant to the Agreement, the Consideration of HK\$425,729,493.92 shall be paid by way of a cashier order (or such banking instrument as Ambition shall agree in writing) by the Lius to Ambition upon Completion.

Basis of the Consideration

As confirmed by the Directors, the Consideration was agreed among Ambition and the Lius after arm's length negotiations by reference to (i) the price offered in the Liu's Holdings' Offer; (ii) the latest market value of LCH Investment; (iii) the illiquid nature of shareholding interests in Liu's Holdings (which is an unlisted private holding company); and (iv) the future prospects of LCH Investment and Chong Hing Bank without the involvement of the Company.

Upon our enquiry with the Directors, we understand that the latest market value of LCH Investment is only one of the matters which the Directors had considered when determining the Consideration. In this respect, we noted that the share price of LCH Investment was HK\$9.46 as at 18 January 2011, being the date of the Share Purchase Agreement, and it rose to HK\$11.96 as at the date of the extraordinary general meeting of the Company which approved the Share Purchase Agreement. As at the date of the Agreement, LCH Investment's share price was HK\$10.56. As a result, we are of the view that "the market value of LCH Investment" cannot justify the decrease in the Consideration as compared to the Original Cost.

LETTER FROM GUANGDONG SECURITIES

We have further compared the Consideration with 23.43% of the audited net assets of Liu's Holdings as at 31 December 2010 and 23.43% of "45.33% of the audited consolidated net assets (excluding minority interests) of LCH Investment as at 31 December 2010". We noted that the Consideration is approximately 463.32 times of 23.43% of the audited net assets of Liu's Holdings as at 31 December 2010. Given that Liu's Holdings has been accounting for its interest in LCH Investment as an investment at cost, and has not been adopting the equity method of accounting, we consider that the above comparison may not be meaningful for analysis purpose.

On the other hand, we noted that the Consideration is approximately 0.57 times of 23.43% of "45.33% of the audited consolidated net assets (excluding minority interests) of LCH Investment as at 31 December 2010". Since the Consideration represents discount to the latest published audited attributable net asset value of LCH Investment, we are of the view that the Consideration may not be favourable to the Group in terms of LCH Investment's book value.

Secondly, in light of that the final totally unsupportive attitude held by the Remaining Shareholders (as indicated by the subsequent Liu's Holdings' Offer) has limited the Company's ability to accumulate additional stakes in Liu's Holdings and to carry out the Company's original intentions, the Directors advised us that their view on the future prospects of LCH Investment and Chong Hing Bank at the time of the Share Purchase Agreement (when there was a genuine possibility that the Company could, through the potential acquisition of additional stakes in Liu's Holdings, be in a position to assist the performance of Liu's Holdings, LCH Investment and/or Chong Hing Bank) is totally different from now (when the Company is not in a position to control, manage and/or assert influence over these companies). We concur with the Directors in this respect since after our independent analysis, we believe in the increasing unsupportive attitude of the Remaining Shareholders which had become final and affirmed when the Remaining Shareholders proposed the Liu's Holdings' Offer.

Thirdly, as advised by the Directors, with the longer term strategic view of accumulating a shareholding significant enough to put itself in a position to help the performance in Liu's Holdings, LCH Investment as well as Chong Hing Bank in mind, the illiquid nature of shareholding interests in Liu's Holdings was of a lesser concern at the time when the Company contemplated to enter into the Share Purchase Agreement. In the case of the Disposal, nevertheless, liquidity of the Sale Shares is naturally a much more important concern posed to the Directors. We also concur with the Directors in this respect since as aforementioned, after our independent analysis, we believe in the increasing unsupportive attitude of the Remaining Shareholders which had become final and affirmed when the Remaining Shareholders proposed the Liu's Holdings' Offer.

LETTER FROM GUANGDONG SECURITIES

Besides the above, upon our further enquiry with the Directors, we understand that the Company had negotiated with the Liu for a higher selling price of the Liu's Holdings' Offer Sale Shares as well as the Remaining Sale Shares but had been unsuccessful. As extracted from the Board Letter, Mr. A Liu had asked for the Original Cost back too, but Mrs. Liu said that the Remaining Shareholders were absolutely adamant about the price offered in the Liu's Holdings' Offer. Based on the Disposal Legal Opinion, it would be unlikely for the Company to obtain the legal title of the Sale Shares in the short term (if the Company can succeed). Hence, the Company also finds it difficult to identify other buyers in the market to purchase only the beneficial interest of the Sale Shares. In view of the foregoing, accepting the Proposals would likely to be the only way available to the Company for a complete cash-out to free up cash for other investment opportunities in the financial services sector which may possibly generate a higher economic value to the Company and the Shareholders. As such, we are of the opinion that although the Company is not bound by any agreement or arrangement to accept the price in the Proposals, the price offered in the Liu's Holdings' Offer is the most critical basis for the determination of the Consideration.

Trading multiples analysis for the Disposal

In order to further assess the fairness and reasonableness of the Consideration, we have performed a trading multiples analysis (including the price to earnings ratio (“**PER**”) and the price to book ratio (“**PBR**”) analysis), which is a commonly adopted method to assess the consideration in acquisition and disposal transactions. We have searched for companies listed on the Stock Exchange (i) engaging in similar lines of business (i.e. over 80% of the main business) as LCH Investment and Chong Hing Bank respectively, being the property-related businesses (the “**Property Comparables**”); and the banking and finance business (the “**Banking Comparables**”) and (ii) with similar market capitalisation as LCH Investment (i.e. for the Property Comparables, with market capitalisation of between HK\$3.0 billion and HK\$4.5 billion) and Chong Hing Bank (i.e. for the Banking Comparables, with market capitalisation of below HK\$20 billion) for comparison. We have also excluded companies which recorded both net losses and net liabilities during their latest financial years as per their latest published financial information.

To the best of our knowledge and endeavor, we identified 15 Property Comparables and five Banking Comparables which met the said criteria. It should be noted that the businesses, operations and prospects of LCH Investment and Chong Hing Bank are not exactly the same as the Property Comparables and the Banking Comparables respectively, and we have not conducted any in-depth investigation into the businesses and operations of the Property Comparables and the Banking Comparables.

LETTER FROM GUANGDONG SECURITIES

(i) *The Property Comparables*

Set out below are the implied PERs and the implied PBRs of the Property Comparables based on their closing prices as at 17 May 2011, being the date of the Agreement, and their latest published financial information:

Company name (Stock code)	Principal business	Year end date	Market capitalisation as at 17 May 2011 (HK\$ million)	PER (times)	PBR (times)
China Motor Bus Co., Ltd. (26)	Properties development and investment.	30/6/2010	3,282.82	6.66	0.57 <i>(Note)</i>
Tai Cheung Holdings Ltd. (88)	Property investment and development, investment holding and property management.	31/3/2011	3,816.34	5.40	0.81
SPG Land (Holdings) Ltd. (337)	Property development, property and hotel investment, property management and education.	31/12/2010	3,416.17	3.17	0.65
Zhong An Real Estate Ltd. (672)	Property development, leasing and hotel management.	31/12/2010	3,833.74	7.76	0.69
Shanghai Zendai Property Ltd. (755)	Construction of commercial and residential properties for sale, ownership and operation of hotel business, leasing, management and agency of commercial and residential properties, provision of travel and related services.	31/12/2010	3,185.44	5.61	0.65

LETTER FROM GUANGDONG SECURITIES

Company name (Stock code)	Principal business	Year end date	Market capitalisation as at 17 May 2011 (HK\$ million)	PER (times)	PBR (times)
Zhuguang Holdings Group Co. Ltd. (1176)	Property development, property investment and property rental activities in the PRC.	31/12/2010	3,950.11	768.35	4.11
China Aoyuan Property Group Ltd. (3883)	Developing and selling of properties; leasing of investment properties; provisions of consulting services and management operation.	31/12/2010	3,422.38	8.26	0.48
Tian Teck Land Ltd. (266)	Property leasing.	31/3/2010	3,323.12	1.42	0.77 (Note)
Pacific Century Premium Developments Ltd. (432)	Development and management of premium property and infrastructure projects, as well as investment in premium grade buildings, in the Asia- Pacific region.	31/12/2010	3,514.89	4.07	0.51
LCH Investment (194)	Property investment, property development, property management, treasury investment, trading and manufacturing and hotel.	31/12/2010	3,997.84	7.95	0.57
Central China Real Estate Ltd. (832)	Residential property development in Henan province, the PRC.	31/12/2010	4,400.00	6.35	1.05

LETTER FROM GUANGDONG SECURITIES

Company name (Stock code)	Principal business	Year end date	Market capitalisation as at 17 May 2011 (HK\$ million)	PER (times)	PBR (times)
Tomson Group Ltd. (258)	Property development and investment, hospitality and leisure activities, manufacturing of PVC pipes, securities trading and investment holding.	31/12/2010	4,049.36	4.16	0.39
Goldin Properties Holdings Ltd. (283)	Property development and investment.	31/3/2010	4,433.48	4.77	0.74 (Note)
Winsor Properties Holdings Ltd. (1036)	Property investment and development, warehousing operations in Hong Kong, the PRC, Singapore and the US, and property management.	31/12/2010	4,206.90	1.71	0.45
China Properties Group Ltd. (1838)	Property development and investment, provision of building management and construction consultancy services.	31/12/2010	4,052.33	0.90	0.12
Maximum				768.35	4.11
Minimum				0.90	0.12
Median				5.40	0.65
The Consideration				7.97	0.57

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

Note: The PBRs for the selected companies were calculated based on their latest published interim reports.

LETTER FROM GUANGDONG SECURITIES

As depicted by the above table, the implied PERs of the Property Comparables ranged from approximately 0.90 times to 768.35 times, with median of approximately 5.40 times. We also noticed that the implied PBRs of the Property Comparables ranged from approximately 0.12 times to 4.11 times, with median of approximately 0.65 times.

Given that the audited consolidated profit of LCH Investment for the year ended 31 December 2010 was approximately HK\$502.89 million, the implied PER of the Consideration is approximately 7.97 times to “23.43% of “45.33% of the audited consolidated profit of LCH Investment for the year ended 31 December 2010””, which falls within the PER range of the Property Comparables.

Given that the audited consolidated net assets (excluding minority interests) of LCH Investment as at 31 December 2010 was approximately HK\$7.06 billion, the implied PBR of the Consideration is approximately 0.57 times to “23.43% of “45.33% of the audited consolidated net assets (excluding minority interests) of LCH Investment as at 31 December 2010””, which also falls within the PBR range of the Property Comparables.

(ii) *The Banking Comparables*

Set out below are the implied PERs and the implied PBRs of the Banking Comparables based on their closing prices as at 17 May 2011, being the date of the Agreement, and their latest published financial information:

Company name (Stock code)	Principal business	Year end date	Market capitalisation as at 17 May 2011 (HK\$ million)	PER (times)	PBR (times)
Chong Hing Bank (1111)	Provision of banking and related financial services.	31/12/2010	8,134.50	17.08	1.24
Dah Sing Financial Holdings Ltd. (440)	Provide banking, insurance, financial and other related services in Hong Kong, Macau, and the PRC.	31/12/2010	13,878.93	10.80	0.98

LETTER FROM GUANGDONG SECURITIES

Company name (Stock code)	Principal business	Year end date	Market capitalisation as at 17 May 2011 (HK\$ million)	PER (times)	PBR (times)
Public Financial Holdings Ltd. (626)	Provision of retail & commercial banking & lending services, stockbroking, letting of investment properties, provision of financing to purchasers of taxi & public light buses, trading of taxi cabs & taxi licences & leasing of taxis.	31/12/2010	5,335.88	11.84	0.88
Fubon Bank (Hong Kong) Ltd. (636)	Provision of banking, financial and related services.	31/12/2010	6,060.07	22.76	1.19
Dah Sing Banking Group Ltd. (2356)	Operations of personal banking, commercial banking and treasury in Hong Kong.	31/12/2010	15,066.56	14.03	1.11
Maximum				22.76	1.24
Minimum				10.80	0.88
Median				14.03	1.11
The Consideration				7.97	0.57

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

As depicted by the above table, the implied PBRs of the Banking Comparables ranged from approximately 0.88 times to 1.24 times, with median of approximately 1.11 times. As such, the implied PBR of the Consideration is below the PBR range of the Banking Comparables.

LETTER FROM GUANGDONG SECURITIES

In view of that LCH Investment is mainly focusing on the property-related businesses, we consider that it is justifiable for us to put greater weight on the results of the trading multiples analysis of the Property Comparables when forming our view as to the fairness and reasonableness of the Consideration. Furthermore, Independent Shareholders should also note that in the case of the Disposal, the Company is only disposing of the non-controlling beneficial interest of the Sale Shares, hence the implied PERs and PBRs of the Consideration may naturally be lower than those of the Property Comparables and the Banking Comparables.

Having considered the basis of the Consideration in the essence that the Consideration is equivalent to the price offered in the Liu's Holdings' Offer less 0.1% stamp duty, together with the overall results of the trading multiples analysis as illustrated above, we are of the view that the Consideration is on normal commercial terms and is fair and reasonable so far as the Independent Shareholders are concerned.

Other terms of the Agreement

We have also reviewed the other major terms of the Agreement (such as "Completion", "Confidentiality and announcements" and the relevant payment terms of the Consideration). To the best of our knowledge, the major terms of the Agreement (except for the transfer of the beneficial interest but not the legal title of the Sale Shares) are not uncommon. Consequently, we are of the view that the terms of the Agreement are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned.

3. Possible financial effects of the Disposal

Effect on earnings

As stated in the Board Letter, the Directors expected to record a one-off loss of approximately HK\$76.8 million (subject to audit) in respect of the Sale Shares in the Group's consolidated financial statements. On the other hand, as mentioned under the sub-section headed "Information on Liu's Holdings" of this letter, Ambition received an amount of HK\$5,974,276, being the final dividends for the year ended 31 December 2010 declared by Liu's Holdings in respect of the Sale Shares. The Directors confirmed that such final dividends are expected to be recognised as income of the Group during the year ended 31 March 2012.

We are of the opinion that the aforesaid one-off loss in respect of the Sale Shares would affect the Company adversely. Nonetheless, it should be balanced by the fact that the Disposal would allow the Company to free up cash for other investment opportunities in the financial services sector and thereby generating higher possible economic value to the Company and the Shareholders.

LETTER FROM GUANGDONG SECURITIES

Effect on net asset value

As confirmed by the Directors, the consolidated net asset value of the Group is expected to decrease upon Completion due to the aforesaid possible loss as being derived from the Disposal.

Effect on working capital

As extracted from the Board Letter, the Company intends to use the sale proceeds from the Disposal (after deducting all relevant fees and expenses) for other investment opportunities in the financial services sector, including for example, expansion into the fund management business as outlined in the Company's announcement dated 3 March 2011. As further confirmed by the Directors, the Company may apply such sale proceeds as general working capital of the Group before it is able to identify any suitable investment opportunities.

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

RECOMMENDATION

Having taken into consideration the factors and reasons as stated above, we are of the opinion that (i) the terms of the Agreement are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned; and (ii) the Disposal is in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Board Committee to advise the Independent Shareholders to vote in favour of the resolution(s) to be proposed at the EGM to approve the Agreement and the transactions contemplated thereunder and we recommend the Independent Shareholders to vote in favour of the resolution in this regard.

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

1. AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP

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

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

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

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

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

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

2. UNAUDITED INTERIM FINANCIAL INFORMATION OF THE GROUP

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

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

3. INDEBTEDNESS**Statement of Indebtedness*****Borrowings***

As at 30 April 2011, being the latest practicable date for the purpose of this statement of indebtedness prior to the printing of this circular, the Group had borrowings amounting to approximately HK\$301.7 million.

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

	<i>HK\$'000</i>
<i>Current</i>	
Margin loans, secured	101,737
<i>Non-Current</i>	
Other loan, unsecured	<u>200,000</u>
Total borrowings	<u><u>301,737</u></u>

As at the close of business on 30 April 2011, the Group's margin loans were secured by certain investments at fair value through profit or loss held by the Group of approximately HK\$709.9 million.

Contingent liabilities

As at the close of business on 30 April 2011, the Group has given guarantees in favour of banks in respect of certain mortgages with a total outstanding loan amount of approximately HK\$69.3 million. The mortgages relate to properties which were sold to Cordoba Homes Limited as described in the Company's announcement dated 13 April 2011.

Disclaimer

Save as disclosed above and apart from intra-group liabilities and normal accounts payable in the ordinary course of business, the Group did not have any loan capital issued and outstanding or agreed to be issued, or any outstanding debt securities, bank overdrafts and liabilities under acceptances or acceptance credits or other similar borrowings, indebtedness, debentures, mortgages, charges, hire purchase commitments, guarantees or other material contingent liabilities as at the close of business on 30 April 2011.

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

4. WORKING CAPITAL

The Directors, after due and careful enquiry, are of the opinion that in the absence of unforeseeable circumstances, taking into account the internal financial resources available to the Group and proceeds from the Disposal, the Group has sufficient working capital for its present requirements in the next twelve months from the date of this circular.

5. MATERIAL ADVERSE CHANGE

Up to and including the Latest Practicable Date, except for matters mentioned in announcements published by the Company since 31 March 2010 (in particular announcements dated 19 April 2011 and 17 May 2011 and the Company's interim report published on 3 December 2010), the Directors confirm that there is no material adverse change in the financial or trading position of the Group since 31 March 2010, being the date to which the latest published audited financial statements of the Group were made up.

6. FINANCIAL AND TRADING PROSPECTS

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

The Group's turnover increased by 39.9% to HK\$42.4 million for the six months ended 30 September 2010 as compared to the corresponding period in 2009. Following the deemed disposal of Hennabun Capital Group Limited ("Hennabun") which was approved by the Shareholders at the extraordinary general meeting of the Company held on 20 December 2010, Hennabun has ceased to be a subsidiary of the Company. Accordingly, the financial statements of Hennabun are no longer consolidated into the Group.

The Group expects to make a loss for the year ended 31 March 2011, mainly as a result of:

- net realized and unrealized losses on investments held for trading, and
- proceeds from the Disposal being less than the original acquisition costs.

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

1. RESPONSIBILITY STATEMENT

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

2. DISCLOSURE OF INTERESTS

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

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

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

Name of Directors	Capacity	Number of shares/underlying shares held	Percentage of the issued share capital
Mr. Andrew Liu	Beneficial owner	830,678,634	17.62%
Dr. Yang Fan Shing, Andrew	Beneficial owner	40,000	0.00%
Dr. Yang Fan Shing, Andrew	Interest of spouse	26,000	0.00%
Ms. Au Shuk Yee, Sue	Beneficial owner	1,229,000	0.03%
Mr. Hui Quincy Kwong Hei	Beneficial owner	10,000,000	0.21%

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

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

Based on the register kept by the Company, as at the Latest Practicable Date, so far as is known to the Directors or chief executive of the Company, the following persons (other than a Director or chief executive of the Company) had any interest or short position in the Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO as having an interest in 5% or more of the issued share capital of the Company.

Name of substantial shareholders	Capacity	Number of shares/underlying shares held	Percentage of the issued share capital
Penta Investment Advisers Limited (Note 1)	Investment Manager	500,000,000	10.61%
Penta Master Fund, Limited	Beneficial Owner	296,205,000	6.28%
PMA Capital Management Limited (Note 2)	Investment Manager	399,650,000	8.48%
PMA Emerging Opportunities Fund SPC	Beneficial Owner	327,710,000	6.95%

Name of substantial shareholders	Capacity	Number of shares/underlying shares held	Percentage of the issued share capital
Chong Tin Lung Benny (Note 3)	Interest of controlled corporation	250,000,000	5.30%
Mak Siu Hang Viola (Note 4)	Interest of controlled corporation	250,000,000	5.30%

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

Note 2: These shares of which 327,710,000 shares are held by PMA Emerging Opportunities Fund SPC and 71,940,000 shares are held by PMA Strategic Investments Fund. Both parties are wholly owned by PMA Capital Management Limited.

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

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

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

3. SERVICE CONTRACTS

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

4. DIRECTORS' INTERESTS IN CONTRACTS AND ASSETS

As at the Latest Practicable Date, except for the beneficial interests in the Sale Shares acquired pursuant to the Share Purchase Agreement and to be disposed of pursuant to the Agreement, none of the Directors had any direct or indirect interest in any asset which had been, since 31 March 2010, being the date to which the latest published audited accounts of the Company were made up, acquired or disposed of, by or leased to any member of the Company or are proposed to be acquired or disposed of, by or leased to any member of the Company.

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

5. MATERIAL CONTRACTS

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

- (a) the Agreement, the total consideration is HK\$425.73 million;
- (b) the subscription agreement dated 17 May 2011 between Hennabun Capital Group Limited (“Hennabun”) and the Company, in relation to the subscription of Hennabun’s redeemable convertible note by the Company, the total consideration was HK\$250 million;
- (c) the share purchase agreement dated 13 April 2011 between Cordoba Homes Limited and the Company, in relation to the disposal of shares in Future Master Investments Limited, a wholly owned subsidiary of the Company and a property investment holding company, the total consideration was HK\$120 million;
- (d) 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;
- (e) the Share Purchase Agreement dated 8 December 2010 amongst Mr. L M Liu, Mrs. Liu, Mr. A Liu and Ambition in relation to the acquisition of the beneficial interests in the Sales Shares, the total consideration was approximately HK\$502.54 million;
- (f) the subscription agreement dated 1 November 2010 between Hennabun and Ideal Principles Limited, in relation to the subscription of Hennabun’s shares by Ideal Principles Limited, the total consideration was HK\$200 million;
- (g) the loan agreement dated 1 November 2010 between Hansom Finance Limited (“Hansom”), a wholly-owned subsidiary of the Company and Hennabun which combined all the previous loan facilities provided to Hennabun by Hansom into a single revolving loan facility, the total loan principal involved was HK\$500 million;

- (h) the placing agreement dated 21 October 2010 entered into between Radland International Limited, the placing agent, and the Company in relation to the placing of 2,000,000,000 new shares at the placing price of HK\$0.275 per share to not fewer than six places, the maximum gross proceeds was approximately HK\$550 million;
- (i) the placing agreement dated 29 September 2010 entered into between Kingston Securities Limited, the placing agent, and the Company in relation to the placing of 118,950,000 new shares at the placing price of HK\$0.32 per share to not fewer than six places, the gross proceeds was approximately HK\$38.06 million;
- (j) the bond subscription agreement dated 9 August 2010 entered into between the Company and Mr. A Liu, pursuant to which Mr. A Liu has agreed to subscribe for or procure subscription of the convertible bonds in aggregate principal amount of up to HK\$550 million issued by the Company and the Company has agreed to issue convertible bonds to Mr. A Liu and/or his nominees;
- (k) the subscription agreement dated 9 August 2010 entered into between the Company and Mr. A Liu, pursuant to which the Company has conditionally agreed to allot and issue, and Mr. A Liu has conditionally agreed to subscribe for 99,125,239 new shares of the Company, at HK\$0.275 per share, the gross proceeds was approximately HK\$27.26 million;
- (l) the conditional agreement dated 17 May 2010 entered into between Future Master Investments Limited (a wholly-owned subsidiary of the Company), Apple Worth Limited and the Company in relation to the sale of 1 share of Sunny Soar Investments Limited (a wholly-owned subsidiary of the Company) for a consideration of HK\$52 million;
- (m) the placing agreement dated 9 April 2010 entered into between Kingston Securities Limited, the placing agent, and the Company in relation to the placing of 76,270,000 new shares at the placing price of HK\$0.50 per share to not fewer than six places, the gross proceeds was approximately HK\$38.14 million;
- (n) the placing agreement dated 22 January 2010 entered into between Get Nice Securities Limited, the placing agent, and the Company in relation to the placing of 46,892,699 new shares at the placing price of HK\$0.55 per share to not fewer than six places, the gross proceeds was approximately HK\$25.79 million;
- (o) the conditional placing agreement dated 25 November 2009 entered into between the Company and Chung Nam Securities Limited in respect of the placing of 100 million new shares at HK\$0.48 per placing share, the gross proceeds was approximately HK\$48 million; and

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

6. LITIGATION AND POSSIBLE LEGAL ACTION

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

7. COMPETING BUSINESS

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

8. EXPERT AND CONSENT

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

Name	Qualification
Guangdong Securities	a licensed corporation to carry out Type 1 (dealing in securities), Type 2 (dealing in futures contracts), Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities as defined under the SFO

As at the Latest Practicable Date, above expert did not have beneficial interest in the share capital of any member of the Group nor any right, whether legally enforceable or not, to subscribe for or to nominate persons to subscribe for securities in any member of the Group nor any interest, either directly or indirectly, in any assets which have been, since 31 March 2010 (being the date to which the latest published audited consolidated financial statements of the Group were made up) acquired or disposed of by or leased to or are proposed to be acquired or disposed of by or leased to any member of the Group.

The above expert has given and has not withdrawn its written letter of consent to the issue of this circular with the inclusion herein of the letter or references to its name in the form and context in which they appear.

9. MISCELLANEOUS

- (a) The registered office of the Company is located at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands.
- (b) The head office and principal place of business of the Company in Hong Kong is located at Room 2302, 23rd Floor, China United Centre, 28 Marble Road, North Point, Hong Kong.
- (c) The secretary of the Company is Ms. Chow Mun Yee, who is a fellow member of the Association of Chartered Certified Accountants and a fellow member of the Hong Kong Institute of Certified Public Accountants.
- (d) The Company's branch registrar and transfer office in Hong Kong is Tricor Secretaries Limited, which is located at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong.
- (e) In the event of inconsistency, the English text of this circular shall prevail over the Chinese text.

10. DOCUMENTS AVAILABLE FOR INSPECTION

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

- (i) the memorandum and bye-laws of the Company;
- (ii) each of the material contracts as set out under the paragraph headed "Material contracts" in this appendix;
- (iii) the annual reports of the Company for the two years ended 31 March 2010;
- (iv) the interim report of the Company for the six months ended 30 September 2010;
- (v) the written consent from Guangdong Securities as referred to in the paragraph headed "Expert and consent" in this appendix; and

- (vi) a copy of each circular issued pursuant to the requirements set out in Chapter 14 and/or 14A of the Listing Rules which has been issued since 31 March 2010, being the date to which the latest published audited consolidated financial statements of the Company were made up, namely:
 - (a) this circular;
 - (b) circular dated 30 December 2010 in respect of major and connected transaction in relation to the acquisition of sales shares in Liu's Holdings; and
 - (c) circular dated 3 December 2010 in respect of (1) very substantial disposal in relation to the deemed disposal arising from subscription for new shares by an investor in a non-wholly owned subsidiary and (2) major transaction in relation to the provision of financial assistance under the loan facility.

NOTICE OF EXTRAORDINARY GENERAL MEETING



FREEMAN FINANCIAL CORPORATION LIMITED

民豐企業控股有限公司

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 279)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that the extraordinary general meeting of Freeman Financial Corporation Limited (the “Company”) will be held at 30th Floor, China United Centre, 28 Marble Road, North Point, Hong Kong on Tuesday, 12 July 2011 at 9:00 a.m. for the purpose of considering and, if thought fit, passing with or without amendments, the following resolution as an ordinary resolution of the Company:

ORDINARY RESOLUTION

“THAT:–

- a) the conditional agreement (the “Agreement”) dated 17 May 2011 entered into amongst Ambition, Mr. L M Liu, Mrs. Liu and Mr. A Liu pursuant to which, amongst other things, Ambition has conditionally agreed: (i) to sell and transfer all its beneficial rights, interests, entitlements, claims and undeclared dividends in 150,540 of the Sale Shares to Mr. L M Liu and Mrs. Liu for a consideration of HK\$364,736,549.20; (ii) to sell and transfer all its beneficial rights, interests, entitlements, claims and undeclared dividends in 25,174 of the Sale Shares to Mr. L M Liu and Mrs. Liu for a consideration of HK\$60,992,944.72 (a copy of which marked “A” has been produced to the meeting and signed by the chairman of the meeting for the purpose of identification) and all the transactions contemplated thereunder and in connection therewith, and any other ancillary documents and all transactions contemplated thereunder, be and are hereby approved, confirmed and ratified; and

NOTICE OF EXTRAORDINARY GENERAL MEETING

- b) the directors of the Company be and are hereby authorised for and on behalf of the Company to sign, seal, execute, perfect, perform and deliver all such documents, deeds, agreements and instruments and do all such acts, matters and things and take all such steps as they may in their discretion consider necessary, expedient or desirable to implement and/or to give effect to the Agreement (and the transactions contemplated thereunder and completion thereof) as they may in their discretion consider to be desirable and in the interests of the Company.”

By Order of the Board of
FREEMAN FINANCIAL CORPORATION LIMITED
Hui Quincy Kwong Hei
Managing Director

Hong Kong, 25 June 2011

Registered office:

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

Principal place of business

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

Notes:

1. The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney authorised in writing or if the appointor is a corporation, either under seal or under the hand of an officer or attorney duly authorised.
2. Any member of the Company entitled to attend and vote at the meeting of the Company shall be entitled to appoint another person as his proxy to attend and vote instead of him. On a poll votes may be given either personally or by proxy. A proxy need not be a member of the Company. A member may appoint more than one proxy to attend on the same occasion.
3. The instrument appointing a proxy and the power of attorney or other authority, if any, under which it is signed or a notarially certified copy of that power or authority shall be deposited at the Company's share registrar in Hong Kong, Tricor Secretaries Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Hong Kong not less than 48 hours before the time for holding the meeting or the adjourned meeting or poll (as the case may be) at which the person named in such instrument proposes to vote, and in default the instrument of proxy shall not be treated as valid.

NOTICE OF EXTRAORDINARY GENERAL MEETING

4. Where there are joint registered holders of any share, any one of such persons may vote at the meeting, either personally or by proxy, in respect of such share as if he were solely entitled thereto; but if more than one of such joint holders be present at the meeting personally or by proxy, that one of the said persons so present whose name stands first on the register of members in respect of such share shall alone be entitled to vote in respect thereof.

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

Executive Directors:

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

Non-executive Directors:

Mr. Andrew Liu
Mr. Cheng Chi Ming, Brian
Mr. Liu Kam Fai, Winston

Independent non-executive Directors:

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