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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)**

### **DISCLOSEABLE TRANSACTION IN RELATION TO SUBSCRIPTION OF SHARES IN HENNABUN CAPITAL GROUP LIMITED**

The Board announces that on 3 March 2011, the Company, the Second Subscriber and Hennabun entered into the Subscription Agreement pursuant to which Hennabun agreed to allot and issue and the Company agreed to subscribe for the First Subscription Shares for a consideration of approximately HK\$253 million and the Second Subscriber agreed to subscribe for the Second Subscription Shares for a consideration of approximately HK\$250 million, respectively.

As one or more of the applicable percentage ratios calculated under Rule 14.07 of the Listing Rules in respect of the Subscription exceed 5% but none of them exceeds 25%, the Subscription constitutes a discloseable transaction for the Company under Chapter 14 of the Listing Rules.

#### **BACKGROUND**

The Board announces that on 3 March 2011, the Company, the Second Subscriber and Hennabun entered into the Subscription Agreement pursuant to which Hennabun agreed to allot and issue, and the Company agreed to subscribe for (or procure the subscription by its nominee(s) of) the First Subscription Shares for a consideration of approximately HK\$253 million, and the Second Subscriber agreed to subscribe for (or procure the subscription by its nominee(s) of) the Second Subscription Shares for a consideration of approximately HK\$250 million, respectively.

#### **THE SUBSCRIPTION AGREEMENT**

##### **Date**

3 March 2011 (after trading hours)

## **Parties**

(1) Company

(2) Second Subscriber

(3) Hennabun

As at the date of the Subscription Agreement, the Company (through its wholly-owned subsidiary) owns 70,621,333 Hennabun Shares, representing approximately 26.20% of Hennabun's total issued share capital, and is the second largest shareholder of Hennabun. The Second Subscriber owns 81,666,666 Hennabun Shares, representing approximately 30.30% of Hennabun's total issued share capital. As of the date of the Subscription Agreement, the outstanding principal amount of the First Subscriber's Loan is HK\$250,000,000 and the total accrued but unpaid interest is approximately HK\$2,829,000.

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

## **Subscription of the First Subscription Shares**

Under the Subscription Agreement, the Company agreed to subscribe (or procure the subscription by its nominee(s) of) and Hennabun agreed to allot and issue 42,138,127 Hennabun Shares, representing approximately 15.64% of the existing issued share capital of Hennabun, or approximately 11.93% of the issued share capital of Hennabun as enlarged by the issue of the First Subscription Shares and the Second Subscription Shares. The Company will remain the second largest shareholder of Hennabun upon Completion.

## **Consideration**

The Subscription Price for the First Subscription Shares shall be HK\$6 per Hennabun Share. The total consideration for the Subscription is approximately HK\$253 million. The total consideration is satisfied upon execution of the Subscription Agreement through setting off the entire outstanding principal and accrued but unpaid interest of the First Subscriber's Loan.

## **The Right of First Refusal**

Under the Subscription Agreement, Hennabun has granted a Right of First Refusal to the Company and the Second Subscriber subject to the provisions of Hennabun's Memorandum and Articles of Association, which will apply to any issuance of new Hennabun Shares after Completion. Under the Right of First Refusal, should Hennabun propose to issue new Hennabun Shares or securities convertible into equity interest to a third party, the Company and the Second Subscriber will have a first right to subscribe for such new Hennabun Shares/securities on the same price and other key terms as the proposed issuance.

The Company and the Second Subscriber will enjoy the Right of First Refusal on a 50:50 basis. If the Company does not accept its full entitlement, the balance may be accepted by the Second Subscriber. Similarly, if the Second Subscriber does not accept its full entitlement, the balance may be accepted by the Company. Hennabun may only issue new Hennabun Shares or securities convertible into equity interest to the third party on terms no more advantageous and only to the extent the Right of First Refusal has not been accepted at all or in full by the Company and the Second Subscriber.

### **Conditions precedent**

Completion of the Subscription Agreement is conditional upon:

- (i) The Company and the Second Subscriber having completed financial and legal due diligence review on Hennabun and its business and having notified Hennabun that the due diligence results are satisfactory provided that such notification shall not prejudice in any manner whatsoever any of the Company's and Second Subscriber's right in respect of a claim pursuant to the warranties, representations and the undertakings given by Hennabun under the Subscription Agreement; and
- (ii) All requisite consents, license and approvals from any relevant government authorities, regulatory bodies or other relevant third parties in Hong Kong or elsewhere which are required or appropriate for the Subscription, the subscription of the Second Subscription Shares, and the issue of the First Subscription Shares and the Second Subscription Shares having been obtained (including but not limited to the approval of the Securities and Futures Commission under Part V of the Securities and Futures Ordinance (Cap 571 of the Laws of Hong Kong) for any change in "substantial shareholder" of the relevant member(s) of the Hennabun Group, if required.)

If the Conditions are not fulfilled on or prior to 30 April 2011 or such later date as may be agreed between Hennabun, the Company and the Second Subscriber in writing, the Subscription Agreement shall terminate. On termination of the Subscription Agreement, Hennabun shall return forthwith to (i) the Company the amount of approximately HK\$253 million or any such amount of the Subscription Price for the First Subscription Shares so set off by the Company pursuant to the Subscription Agreement without any interest thereon and (ii) the Second Subscriber the amount of approximately HK\$250 million or any such amount of the Subscription Price for the Second Subscription Shares so paid by the Second Subscriber pursuant to the Subscription Agreement without any interest thereon; and whereupon none of the parties to the Subscription Agreement shall have any claim against the other for costs, damages, compensation or otherwise, save in respect of antecedent breaches and claims.

### **Completion**

Completion shall take place on the Completion Date (or such other date as the parties may be agreed).

### **INFORMATION ON HENNABUN GROUP**

Hennabun is a limited company incorporated under the laws of the British Virgin Islands and an investment holding company. Hennabun Group is principally engaged in security brokerage, commodity trading, money lending, margin financing and corporate finance advisory as well as proprietary trading and direct investment. As at the date of the Subscription Agreement, Hennabun

has an authorized share capital of US\$500,000,000 divided into 5,000,000,000 Hennabun Shares of US\$0.10 each, and an issued share capital of US\$26,949,633.2 divided into 269,496,332 Hennabun Shares of US\$0.10 each.

Hennabun Group has only prepared unaudited consolidated management accounts for the eleven months ended 30 November 2010 as at the date of this announcement. According to such unaudited consolidated management accounts, Hennabun Group has unaudited consolidated net assets of approximately HK\$1,167.1 million. Further financial information of Hennabun Group is set out as below:

	<b>For the year ended</b>		<b>For the 11 months ended</b>
	<b>31 December 2008</b> <i>(HK\$' million)</i> <i>(audited)</i>	<b>31 December 2009</b> <i>(HK\$' million)</i> <i>(audited)</i>	<b>30 November 2010</b> <i>(HK\$' million)</i> <i>(unaudited)</i>
Net profit(loss) before taxation	(79.7)	(59.2)	168.2
Net profit(loss) after taxation	(75.5)	(59.2)	168.2

## **REASONS FOR AND BENEFITS OF THE SUBSCRIPTION**

As a result of a number of share placements by Hennabun to third parties in recent months, the Company's shareholding in Hennabun has been diluted down to approximately 26.20%.

Given Hennabun Group's principal lines of businesses, the Company sees its investments in Hennabun as an integral part of its overall focus on the financial services sector. Furthermore, the Company is exploring the setting up of one or more growth/opportunity/other investment funds together with a subsidiary of Hennabun as well as Unitas Capital Pte. Ltd. (of which Mr. Andrew Liu is the managing partner and CEO), in order to capture the vast potential in the fund management industry. The Company is therefore keen to maintain and strengthen its relationship with Hennabun through making a further equity investment into Hennabun, so as to foster an environment conducive to continued co-operation. Against this background, the Company held discussions with the management of Hennabun and agreed on the Subscription by the Company through setting-off of the First Subscriber's Loan.

The Subscription does not involve the Company making additional cash outlay. The Subscription Price of HK\$6 per Hennabun Share is the same as the price of the recent share placements conducted by Hennabun (the share placement described in the Company's announcement dated 4 November 2010 and circular dated 3 December 2010 being the first of such placements). In addition, the transaction also includes the granting by Hennabun of the Right of First Refusal to the Company and the Second Subscriber.

The Subscription Price and the terms of the Subscription Agreement were negotiated on arm's length basis with reference to the price of recent share placements conducted by Hennabun, Hennabun's unaudited net book value of HK\$8.58 per Hennabun Share as of 30 November 2010, and the historical performance and future prospects of Hennabun Group. On the basis of the matters described in this section, the Directors believe the terms of the transaction are fair and reasonable and in the interests of the Shareholders as a whole. The Company will comply with relevant

requirements under the Listing Rules, if the Company, Hennabun Group and/or Unitas Capital Pte. Ltd. reach agreement on the terms of co-operation in fund management and/or other areas.

## **GENERAL INFORMATION**

The Company is principally engaged in the trading of securities, provision of finance, property holding and investment and insurance brokerage business.

## **IMPLICATIONS UNDER THE LISTING RULES**

As one or more of the applicable percentage ratios calculated under Rule 14.07 of the Listing Rules in respect of the Subscription exceed 5% but none of them exceeds 25%, the Subscription constitutes a discloseable transaction for the Company under Chapter 14 of the Listing Rules.

## **DETAILS OF SECOND SUBSCRIPTION SHARES**

Under the Subscription Agreement, the Second Subscriber agreed to subscribe (or procure the subscription by its nominee(s) of) and Hennabun agreed to allot and issue 41,666,667 Hennabun Shares, representing 15.46% of the existing issued share capital of Hennabun, or approximately 11.79% of the issued share capital of Hennabun as enlarged by the issue of the First Subscription Shares and the Second Subscription Shares.

The Subscription Price for the Second Subscription Shares shall be HK\$6 per Subscription Share (i.e. at a total consideration of approximately HK\$250 million).

## **DEFINITIONS**

Unless the context requires otherwise, terms used in this announcement shall have the following meanings:

“Board”	the board of Directors of the Company
“Business Day”	any day (excluding Saturday, Sunday and public holidays) on which banks are generally open for business in Hong Kong
“Company”	Freeman Financial Corporation Ltd. (Stock code: 279), a company incorporated in the Cayman Islands with limited liability and the Shares of which are listed on main board of the Stock Exchange
“Completion”	completion of the Subscription and the subscription of the Second Subscription Shares in accordance with the terms and conditions of the Subscription Agreement

“Completion Date”	the second Business Day immediately after the date upon which the Conditions have been satisfied (or such other date as Hennabun, the Company and the Second Subscriber may agree in writing)
“Conditions”	conditions precedent contained in the Subscription Agreement for the Completion
“Connected Person(s)”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	the director(s) of the Company
“First Subscriber’s Loan”	the loan advanced by the a wholly-owned subsidiary of the Company to Hennabun pursuant to the loan agreement entered into on 1 November 2010
“First Subscription Shares”	42,138,127 Hennabun Shares subscribed for by the Company under the Subscription Agreement
“Group”	the Company and its subsidiaries
“Hennabun”	Hennabun Capital Group Limited, a company incorporated in the British Virgin Islands
“Hennabun Group”	Hennabun and its subsidiaries
“Hennabun Shares”	ordinary shares of US\$0.10 each in the capital of Hennabun
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Right of First Refusal”	the right of first refusal as described under the section headed “The Right of First Refusal” in this announcement
“Second Subscriber”	a private company incorporated in British Virgin Islands
“Second Subscription Shares”	41,666,667 Hennabun Shares subscribed for by the Second Subscriber under the Subscription Agreement
“Subscription”	the subscription of the First Subscription Shares pursuant to the terms and conditions of the Subscription Agreement

“Subscription Agreement”	the subscription agreement dated 3 March 2011 and entered into between Hennabun, the Company and the Second Subscriber
“Subscription Price”	HK\$6 per Hennabun Share
“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

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

Hong Kong, 3 March 2011

As at the date of this announcement, 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  
Mr. Suen Yick Lun Philip  
Ms. Chow Mun Yee

*Non-executive Director:*

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

*Independent non-executive Directors:*

Mr. Roger Thomas Best, *JP*  
Mr. Gary Drew Douglas  
Mr. Peter Temple Whitelam  
Dr. Agustin V. Que  
Mr. Yau Chung Hong