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FREEMAN FINTECH CORPORATION LIMITED

民眾金融科技控股有限公司

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 279)

ISSUE OF SECURED CONVERTIBLE BONDS UNDER GENERAL MANDATE

SUBSCRIPTION AGREEMENT

On 24 August 2017 (after trading hours), the Company entered into the Subscription Agreement with the Subscriber, in relation to the issue of the Convertible Bonds in the principal amount of HK\$437,000,000 with conversion rights to convert the principal amount thereof into the Shares at the Conversion Price of HK\$0.425.

Assuming the exercise in full of the conversion rights attaching to the Convertible Bonds at the initial Conversion Price of HK\$0.425 per Conversion Share, a total of 1,028,235,294 Conversion Shares will be issued, representing approximately 6.55% of the existing issued share capital of the Company and approximately 6.15% of the issued share capital of the Company as enlarged by the issue of the Conversion Shares.

The gross proceeds from the issue of the Convertible Bonds will be HK\$437,000,000. The net proceeds from the issue of the Convertible Bonds, after the deduction of related expenses payable by the Company, are estimated to be approximately HK\$436,000,000. The Company intends to apply the net proceeds for general working capital of the Group.

GENERAL

The Conversion Shares will be issued under the General Mandate of the Company. Application will be made by the Company to the listing committee of the Stock Exchange for the grant of the listing of, and permission to deal in, the Conversion Shares. Since the Conversion Shares will be allotted and issued under the General Mandate, no further Shareholders' approval is required.

Closing of the Subscription is subject to fulfillment of the conditions precedent under the Subscription Agreement. Accordingly, the Subscription may or may not proceed. Shareholders and potential investors are reminded to exercise caution when dealing in the Shares.

THE SUBSCRIPTION AGREEMENT

Pursuant to the Subscription Agreement, the Company has conditionally agreed to issue, and the Subscriber has conditionally agreed to subscribe for, the Convertible Bonds. Details of the Subscription Agreement are set out below.

Date: 24 August 2017 (after trading hours)

Parties: (i) the Company, as issuer; and
(ii) Cheery Plus Limited, as subscriber.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, certain fellow subsidiaries of the Subscriber are creditors of the Company. Save and except as aforesaid, the Subscriber and its ultimate beneficial owner(s) are third parties independent of the Company and the connected persons of the Company.

Conditions Precedent

Closing of the Subscription is conditional upon:–

- (i) on the date of the Subscription Agreement and the closing date: (a) the representations, warranties, agreements and undertakings of the Company in the Subscription Agreement being true and correct in all material respects at, and as if made on, the closing date; (b) the Company having performed all of its obligations under the Subscription Agreement to be performed on or before the closing date; and (c) there having been delivered to the Subscriber a certificate dated the closing date and signed by the Company to such effect;
- (ii) no event of default is continuing or would result from the issuance by the Company of the Convertible Bonds to the Subscriber;

- (iii) from the date of the Subscription Agreement up to and at the closing date, there shall not have occurred any change (nor any development or event involving a prospective change) which is materially adverse to the condition (financial or other), results of operations or general affairs of the Company or the Group;
- (iv) the listing committee of the Stock Exchange having granted approval to the listing of, and the permission to deal in, the Conversion Shares;
- (v) as of the closing date, each Transaction Document having been duly executed and remaining in full force and effect;
- (vi) as of the closing date, all conditions precedent under each Transaction Document other than the Subscription Agreement having been satisfied;
- (vii) all corporate and other proceedings by the Company in connection with the transactions to be completed at the closing and all documents incident thereto with respect to the Subscription Agreement and the other Transaction Documents and the transactions contemplated hereby and thereby having been completed;
- (viii) the Security and the Security Documents having been duly registered with the Government Authority pursuant to the applicable laws;
- (ix) the obtaining of all consent from government or regulatory authorities or third parties which are necessary in connection with the execution and performance of the Subscription Agreement and any of the transaction contemplated thereunder; and
- (x) the board of directors of the Subscriber having approved the transactions contemplated under the Transaction Documents.

If the conditions above are not either waived or satisfied on or prior to 30 September 2017 (or such later date as may be agreed by the Subscriber and the Company), the parties' obligations under the Subscription Agreement shall automatically terminate and no party shall have any claim against the other for costs, damages, compensation or otherwise, save for any claim in respect of antecedent breaches and the liability of the Company for the payment of expenses as set out in the Subscription Agreement.

Closing

Closing of the Subscription shall take place on the third Business Day after, and excluding, the date upon which the conditions precedent under the Subscription Agreement have been satisfied, or such other date as the Company and the Subscriber may agree in writing.

PRINCIPAL TERMS OF THE CONVERTIBLE BONDS

Principal Amount	An aggregate principal amount of HK\$437,000,000
Issue Price	100% of the principal amount of the Convertible Bonds
Form of the Convertible Bonds and Denomination	In registered form in denomination of HK\$43,700,000 each
Interest Rate	4% per annum payable semi-annually in arrears
Maturity Date (the “ Maturity Date ”)	The date falling on the second (2nd) anniversary of the Issue Date (the “ Initial Maturity Date ”), provided that the Company may designate, with the passing of an extraordinary resolution or written resolution by the Convertible Bonds Holders, (i) the third (3rd) anniversary of the Issue Date (the “ Updated Maturity Date ”) as the Maturity Date by written notice to the Convertible Bonds Holders at least thirty (30) days before the Initial Maturity Date, and (ii) the fourth (4th) anniversary of the Issue Date as the Maturity Date by written notice to the Convertible Bonds Holders at least thirty (30) days before the Updated Maturity Date (the “ Further Updated Maturity Date ”), in each case if such date is not a Business Day, the Business Day immediately following such date
Status	The Convertible Bonds, when issued, shall constitute direct, senior, unsubordinated, unconditional and secured obligations of the Company and shall at all times rank <i>pari passu</i> and without any preference or priority among themselves

Security (the “ Security ”)	The Company shall enter into, or procure the relevant party(ies) to enter into, a share charge (the “ Share Charge ”) in favour of the Subscriber for the benefit of the Convertible Bonds Holders over the shares of Shengang Securities constituting 15% of the share capital of Shengang Securities (the “ Charged Shares ”) as of the issue date of the Convertible Bonds (the “ Issue Date ”). Subject to the Subscriber’s prior written consent and within fifteen (15) Business Days after the Company receives such written consent, the Company shall enter into the Security Documents to create in favour of the Subscriber for the benefit of the Convertible Bonds Holders over the Charged Assets (the choice or selection of which shall be at the Company’s sole discretion) not less than the value to the Charged Shares to the satisfaction of the Subscriber (the “ Alternative Charged Assets ”) and the security over the Charged Shares shall be promptly released by the Subscriber after the security over the Alternative Charged Assets becomes effective and the registration and/or filing of the Alternative Charged Assets in accordance with the applicable laws have been completed to the reasonable satisfaction of the Subscriber and the Subscriber shall execute all necessary discharge, release or any other documents and do all required actions to effect such release.
Conversion Shares	Upon full conversion of the Convertible Bonds at the Conversion Price of HK\$0.425, an aggregate of 1,028,235,294 Conversion Shares will be allotted and issued pursuant to the Convertible Bonds Instrument. Such number of Conversion Shares represents approximately 6.55% of the issued share capital of the Company as at the date of this announcement and approximately 6.15% of the issued share capital of the Company as enlarged by the Conversion Shares
Conversion Price	HK\$0.425 per Conversion Share subject to any adjustment, from time to time, as set out in the terms and conditions of the Convertible Bonds Instrument
Conversion Period (the “ Conversion Period ”)	The period beginning on, and including, six months after the Issue Date and ending on, and including, 5:00 p.m. on the day which is five (5) Trading Days before the Maturity Date, and if the last day of the Conversion Period would otherwise be a day which is not a Business Day, the last day of the Conversion Period shall be the immediately preceding Business Day

Conversion Rights	Each Convertible Bonds Holder has the right to convert the principal amount of the Convertible Bonds into the Conversion Shares at any time during the Conversion Period
Conversion Restrictions	The Convertible Bonds Holders shall have no right to exercise, and shall not exercise, any conversion rights if, as a result of such exercise, the Company will be in breach of the minimum public floating requirements under Rule 8.08 of the Listing Rules or other relevant requirements under the Listing Rules immediately after the relevant exercise of conversion rights and in such case, the Company shall disregard (and return to such Convertible Bonds Holder) any notice of exercise of conversion rights
Adjustments to the Conversion Price	The Conversion Price of the Convertible Bonds is subject to adjustments in certain events, including, among other things, share consolidation, share subdivision, capitalization issue, capital distribution, rights issue of shares or options or other securities, issue of shares, options, warrants or other rights at a price less than the current market price of the Share and issue of shares or other securities at a price less than the Conversion Price
Ranking of Conversion Shares	The Conversion Shares shall rank <i>pari passu</i> in all respects with all other Shares in issue on the conversion date
Redemption	Unless previously redeemed, converted or purchased and cancelled, the Company shall, subject to receipt of the relevant Convertible Bonds certificate, redeem all the outstanding Convertible Bonds held by a Convertible Bonds Holder on the Maturity Date at an amount equal to the Redemption Amount. The Company may not and the Subscriber may not require the Issuer to early redeem the Convertible Bonds
Listing	No application will be made for the listing of, or permission to deal in, the Convertible Bonds on the Stock Exchange or any other stock exchange. Application will be made by the Company to the Stock Exchange for the listing of, and permission to deal in, the Conversion Shares

Redemption when the General Mandate is fully utilised	<p>If the Company is unable, other than by reason of the default of the Convertible Bonds Holder under the Convertible Bonds Instrument, to issue the Conversion Shares which exceeds such number of unissued Shares for which the Board has been authorised under the General Mandate and/or for which approval for listing (and permission to deal in) has been granted by the listing committee of the Stock Exchange, the Company shall be obliged to firstly, issue the maximum number of Conversion Shares that it is allowed to issue and allot under the General Mandate and, thereafter, redeem such remaining balance of the principal of the Convertible Bonds purported to be converted which may otherwise result in the allotment and issue of such excess number of Shares at the amount equal to 100 per cent. of the remaining balance of the principal amount of such Convertible Bonds and any accrued but unpaid interest on such remaining balance on the date of conversion notice, which should be payable to Convertible Bonds Holder within seven (7) Business Days falling after the date of conversion notice</p>
Transferability of Convertible Bonds	<p>The Convertible Bonds shall not be transferred to any third party without the prior written consent of the Company</p>

Conversion Price

The Conversion Price of HK\$0.425 per Conversion Share represents:

- (i) a discount of approximately 13.27% to the Closing Price of HK\$0.490 per Share as quoted on the Stock Exchange on 22 August 2017, being the date of the Subscription Agreement; and
- (ii) a discount of approximately 13.79% to the average Closing Price per Share of approximately HK\$0.493 per Share for the last five consecutive Trading Days immediately prior to the date of the Subscription Agreement.

The initial Conversion Price and the other terms of the Convertible Bonds were determined after arm's length negotiations between the Company and the Subscriber.

INFORMATION OF THE COMPANY

The Group is principally engaged in the financial services sector, including the provision of securities and futures brokerage services, provision of placing, underwriting and margin financing services, the provision of insurance brokerage and financial planning services, the provision of corporate finance advisory services, the trading of securities and futures, the provision of finance, the provision of factoring and finance leasing services, as well as investment holding.

INFORMATION OF THE SUBSCRIBER

The Subscriber is a company incorporated in the British Virgin Islands with limited liability.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, certain fellow subsidiaries of the Subscriber are creditors of the Company. Save and except as aforesaid, the Subscriber and its ultimate beneficial owners are third parties independent of the Company and the connected persons of the Company.

USE OF PROCEEDS AND REASONS FOR AND BENEFITS OF ISSUE OF CONVERTIBLE BONDS

The Board considers that the issue of the Convertible Bonds is an appropriate means of fund raising for the Company and it does not have any immediate dilution effect on the shareholding of the existing Shareholders. The Board is of the view that the issue of the Convertible Bonds provides opportunities for the Group to strengthen its capital base and financial position for future business development.

The gross proceeds from the issue of Convertible Bonds will be HK\$437,000,000. The net proceeds from the issue of the Convertible Bonds, after the deduction of related expenses, are estimated to be approximately HK\$436,000,000, representing net issue price of approximately HK\$0.424 per Conversion Share.

The Company intends to apply the net proceeds from the issue of the Convertible Bonds for general working capital of the Group with details as follows: for (i) additional funding to Freeman Securities Limited (a wholly-owned subsidiary of the Company principally engaged in the provision of securities brokerage services, the provision of placing, underwriting and margin financing, investment holding and trading of securities) for business expansion of approximately HK\$200 million; (ii) money lending business of approximately HK\$200 million; and (iii) other general working capital of approximately HK\$36 million.

The Directors consider the terms of the Subscription Agreement are negotiated at arm's length basis and on normal commercial terms, which are fair and reasonable and in the interests of the Company and its Shareholders as a whole.

FUND RAISING ACTIVITIES OF THE COMPANY DURING THE PAST TWELVE MONTHS

Except for the fund raising activities as mentioned below, there has not been any other fund raising exercise made by the Company in the twelve months immediately preceding the date of this announcement.

Date of announcement	Event	Net proceeds (approximately)	Intended use of proceeds as announced	Actual use of proceeds
6 June 2017	Issue of secured convertible bonds in the principal amount of US\$100,000,000 under general mandate	HK\$779,000,000	As general working capital for the Group with details as follows: for (i) additional funding to Freeman Securities Limited for business expansion of approximately HK\$390 million; (ii) money lending business of approximately HK\$312 million; and (iii) other general working capital of approximately HK\$77 million	Used as intended

EFFECTS ON SHAREHOLDING STRUCTURE

The shareholding structure of the Company (i) as at the date of this announcement; and (ii) assuming full exercise of the conversion rights attached to the Convertible Bonds at the initial Conversion Price of HK\$0.425 per Share and further assuming that no other Shares will be issued is as follows:

Shareholders	As at the date of this announcement		Immediately after the full conversion of the Convertible Bonds	
	<i>Number of Shares</i>	<i>Approximate percentage of shareholding</i>	<i>Number of Shares</i>	<i>Approximate percentage of shareholding</i>
Substantial Shareholder				
Mr. Zhang Yongdong (<i>Note 1</i>)	4,194,780,000	26.72%	4,194,780,000	25.07%
Director				
Ms. Chow Mun Yee	6,048,000	0.04%	6,048,000	0.04%
The Subscriber (<i>Note 2</i>)	–	–	1,028,235,294	6.15%
Public Shareholders	11,499,860,940	73.24%	11,499,860,940	68.74%
Total	15,700,688,940	100%	16,728,924,234	100%

Notes:

- These Shares were held by Galaxy Strategic Investment Co. Ltd., a company wholly-owned by Mr. Zhang Yongdong. Of which 2,615,069,000 Shares were in short position to Shanghai Guotai Junan Securities Asset Management Co., Ltd.* (上海國泰君安證券資產管理有限公司, “Shanghai Guotai”) and Guotai Junan Securities Co., Ltd.* (國泰君安證券股份有限公司, “Guotai”). Shanghai Guotai is a trustee of (i) a trust in which Guangdong Bank Holdings Co., Ltd.* (廣東銀行股份有限公司) is a beneficiary of 862,069,000 Shares; (ii) a trust in which China Zheshang Bank Co., Ltd. is a beneficiary of 898,000,000 Shares; and (iii) a trust in which Shen Zhen Rongtong Capital Management Co., Ltd. is a beneficiary of 855,000,000 Shares. Guotai is the ultimate holding company of Shanghai Guotai and is deemed to be interested in 2,615,069,000 Shares through Shanghai Guotai described above.

* *for identification purpose only*

2. Reference was made to the Company's announcement dated 6 June 2017, a fellow subsidiary of the Subscriber entered into another subscription agreement with the Company in relation to the issue of convertible bonds in the principal amount of US\$100,000,000 with conversion rights to convert the principal amount thereof into a total of 1,835,294,118 Shares (the "**First Conversion Shares**") at conversion price of HK\$0.425 (subject to adjustments). If aggregating the full conversion effect of the Convertible Bonds for 1,028,235,294 Conversion Shares, the Subscriber and its fellow subsidiary will hold an aggregate 2,863,529,412 Shares, representing approximately 18.24% of the existing issued share capital of the Company and approximately 15.42% of the issued share capital of the Company as enlarged by the issue of the Conversion Shares and the First Conversion Shares (i.e. equivalent to 18,564,218,352 Shares).

GENERAL

Closing of the Subscription is subject to fulfillment of the conditions precedent under the Subscription Agreement. Accordingly, the Subscription may or may not proceed. Shareholders and potential investors are reminded to exercise caution when dealing in the Shares.

The Conversion Shares will be issued under the General Mandate of the Company, no further Shareholders' approval is required. Application will be made by the Company to the listing committee of the Stock Exchange for the grant of the listing of, and permission to deal in, the Conversion Shares.

DEFINITIONS

Unless otherwise stated, the terms in this announcement have the following meanings:

"Board"	the board of Directors of the Company
"Business Day"	a day (other than a Saturday, Sunday and public holiday) on which licensed banks in Hong Kong are open for business
"Charged Assets"	the assets from time to time subject or expressed to be subject to all or any of the security interest created or expressed to be created by or pursuant to the Security Documents or any part thereof
"Closing Price"	in respect of a Share for any Trading Day, the closing market price published in the daily quotation sheet published by the Stock Exchange for such Trading Day

“Company”	Freeman FinTech Corporation Limited, a company with limited liability incorporated under the laws of the Cayman Islands whose shares are listed on the Stock Exchange (Stock Code: 279)
“connected person(s)”	has the meanings as ascribed thereto under the Listing Rules
“Convertible Bonds”	the secured convertible bonds created and constituted by the Convertible Bonds Instrument and any deed poll supplemental thereto and issued with the benefit of and subject to the provision of the Convertible Bonds Instrument in principal amount of HK\$437,000,000
“Convertible Bonds Holder(s)”	a holder of a Convertible Bond and in whose name such Convertible Bonds is for the time being registered in the Convertible Bonds register (or, in the case of a joint holding, the first name thereof)
“Convertible Bonds Instrument”	the instrument by way of deed poll to be executed by the Company creating and constituting the Convertible Bond
“Conversion Price”	HK\$0.425 per Conversion Share, subject to adjustments
“Conversion Share(s)”	the Share(s) to be issued by the Company upon conversion of the principal amount of the Convertible Bonds pursuant to the terms of the Convertible Bonds Instrument
“Directors”	the directors of the Company from time to time
“General Mandate”	the existing general mandate from the Shareholders to the Directors at the annual general meeting of the Company held on 7 September 2016 to allot and issue Shares (including the issue of any securities convertible into Shares, or options, warrants or similar rights to subscribe for any Shares) up to an aggregate number of Shares not exceeding 20% of the number of Shares in issue as at 7 September 2016 in accordance with the relevant provisions of the Listing Rules
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Huarong Investment”	Huarong Investment Stock Corporation Limited, a company with limited liability incorporated under the laws of Cayman Islands whose shares are listed on the Stock Exchange (Stock Code: 2277)

“Internal Rate of Return”	in respect of a Convertible Bond held by a Convertible Bonds Holder, the annual rate based on a 365-day period used to, at any relevant reference point in time, discount the cash flows in respect of the Convertible Bonds to the date of issue of such Convertible Bonds such that the present value of such aggregate cash flows equals zero. In particular, the calculation of the Internal Rate of Return shall take into account (i) cash received by the Convertible Bonds Holder as a result of any redemption of such Convertible Bonds and (ii) all the interest amounts on the principal amount of the Convertible Bonds which have accrued and have been paid other than any default interest
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	the People’s Republic of China
“Redemption Amount”	<p>the amount equal to the aggregate of:</p> <ul style="list-style-type: none"> <li data-bbox="558 925 1489 1053">(a) the aggregate principal amount of such outstanding Convertible Bonds held by the relevant Convertible Bonds Holder; <li data-bbox="558 1095 1489 1181">(b) any accrued but unpaid interest on such outstanding Convertible Bonds on the Maturity Date; <li data-bbox="558 1223 1489 1649">(c) if the sum of the amounts referred in paragraphs (a) and (b) above (together with all accrued and paid interests on the principal amount of the Convertible Bonds) falls short of making up an Internal Rate of Return of 4.04% on the aggregate outstanding principal amount of the Convertible Bonds calculated from the Issue Date until the Initial Maturity Date, Updated Maturity Date or Further Updated Maturity Date, such additional amount which would make up an Internal Rate of Return of 4.04% on the aggregate outstanding principal amount of the Convertible Bonds; <li data-bbox="558 1691 1244 1734">(d) any default interest accrued but unpaid; and <li data-bbox="558 1776 1489 1862">(e) any other amounts due and payable under the Transaction Documents accrued but unpaid

“Secured Obligations”	all moneys, liabilities and obligations at any time due, owing or payable to the Convertible Bonds Holders or any of them by the Company under or pursuant to the Convertible Bonds, the Transaction Documents or any of them, whether present or future, actual or contingent (and whether incurred solely or jointly and whether as principal or surety or in some other capacity)
“Security Documents”	collectively the Share Charge and any other document constituting or evidencing the security granted from time to time to secure the Secured Obligations
“Shareholders”	holders of the Shares
“Share(s)”	ordinary share(s) of HK\$0.001 each in the share capital of the Company
“Shengang Securities”	Shengang Securities Company Limited, a foreign-invested company limited by shares incorporated under the laws of the PRC
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscriber”	Cheery Plus Limited, a company incorporated in the British Virgin Islands with limited liability and an indirect wholly-owned of Huarong Investment
“Subscription”	the subscription of the Convertible Bonds of the Company in accordance with the Subscription Agreement
“Subscription Agreement”	the subscription agreement dated 24 August 2017 entered into between the Company and the Subscriber in relation to the Subscription
“Trading Day”	a day when the Stock Exchange (or in respect of any other security, the relevant stock exchange or securities market), is open for dealing business
“Transaction Documents”	the Convertible Bonds Instrument, a Convertible Bonds certificate, the Subscription Agreement, the Security Documents, or any document designated as such by the Company and the Subscriber
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong

“US\$” US dollars, the lawful currency of the United States of America

“%” per cent.

By Order of the Board
Freeman FinTech Corporation Limited
Yang Haoying
Chief Operating Officer

Hong Kong, 24 August 2017

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

Executive Directors:

Mr. Yang Haoying (*Chief Operating Officer*)

Ms. Chow Mun Yee

Mr. Wang Xiaodong

Mr. Zhao Tong

Independent Non-executive Directors:

Mr. An Dong

Mr. Cheung Wing Ping

Mr. Fung Tze Wa

Mr. Wu Keli