FREEMAN FINTECH CORPORATION LIMITED

(Provisional Liquidators Appointed)

民眾金融科技控股有限公司

(已委任臨時清盤人)

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 279)

FINAL RESULTS FOR THE YEAR ENDED 31 MARCH 2020

FINAL RESULTS

The Board of Directors (the "**Board**") of Freeman FinTech Corporation Limited (Provisional Liquidators appointed) (the "**Company**") announces the consolidated results of the Company and its subsidiaries (the "**Group**") for the year ended 31 March 2020 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 March 2020

	Notes	**2020** *HK$'000*	2019 *HK$'000*
REVENUE	*5*	**68,529**	(74,633)
Cost of sales		**(35,262)**	(18,115)
Gross profit/(loss)		**33,267**	(92,748)
Other income and gains	*5*	**2,709**	112,338
Fair value losses on investments at fair value through profit or loss, net		**(20,460)**	(59,856)
General and administrative expenses		**(117,525)**	(285,180)
Provision for impairment loss of loans receivable, net	*15*	**(266,085)**	(1,368,726)
Reversal of provision/(provision) for impairment loss of accounts receivable, net	*17*	**191**	(20,115)
Provision for impairment loss of finance lease receivables	*14*	**–**	(89,198)

	Notes	2020 HK$'000	2019 HK$'000
Reversal of provision/(provision) for impairment loss of factoring receivables	16	**(297,529)**	68
Impairment loss of prepayments, deposits and other receivables		**(45,792)**	–
Impairment loss of investments in associates	12	**(341,674)**	–
Loss on deconsolidation of subsidiaries	8	**(2,092,200)**	–
Other expenses, net		**(40)**	(11,814)
Finance costs	7	**(695,527)**	(374,185)
Share of profits of associates and a joint venture		**–**	39,615
LOSS BEFORE TAX	6	**(3,840,665)**	(2,149,801)
Income tax credit/(expense)	9	**1,818**	(3,394)
LOSS FOR THE YEAR		**(3,838,847)**	(2,153,195)
Attributable to:			
Owners of the Company		**(3,838,847)**	(2,160,250)
Non-controlling interests		**–**	7,055
		(3,838,847)	(2,153,195)
LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	10		
Basic		**(HK$2.18)**	(HK$1.38)
Diluted		**(HK$2.18)**	(HK$1.38)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March 2020

	Note	**2020** *HK$'000*	2019 *HK$'000*
LOSS FOR THE YEAR		**(3,838,847)**	(2,153,195)
OTHER COMPREHENSIVE INCOME/(LOSS)			
Other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of foreign operations		**(13,725)**	(166,440)
Share of other comprehensive income of associates, net		**–**	14,089
Reclassification of exchange difference upon deconsolidation of subsidiaries	*8*	**(52,085)**	–
Other comprehensive income/(loss) not to be reclassified to profit or loss in subsequent periods:			
Equity investments at fair value through other comprehensive income – net movement in investment revaluation reserve (non-recycling)		**(916,942)**	296,213
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR, NET OF TAX		**(982,752)**	143,862
TOTAL COMPREHENSIVE LOSS FOR THE YEAR		**(4,821,599)**	(2,009,333)
Attributable to:			
Owners of the Company		**(4,821,599)**	(1,972,198)
Non-controlling interests		**–**	(37,135)
		(4,821,599)	(2,009,333)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 March 2020

	Notes	**2020** *HK$'000*	2019 *HK$'000*
NON-CURRENT ASSETS			
Property, plant and equipment		**14,985**	6,133
Goodwill	*11*	**1,505**	660,674
Investments in associates	*12*	**–**	365,061
Intangible assets		**17,145**	17,145
Other financial assets	*13*	**686,005**	1,602,947
Finance lease receivables	*14*	**–**	480,063
Prepayments and deposits		**2,194**	10,220
Total non-current assets		**721,834**	3,142,243
CURRENT ASSETS			
Other financial assets	*13*	**–**	1,148,314
Loans receivable	*15*	**143,040**	446,555
Factoring receivables	*16*	**–**	308,525
Finance lease receivables	*14*	**–**	383,263
Prepayments, deposits and other receivables		**80,028**	173,661
Accounts receivable	*17*	**22,005**	73,767
Investments at fair value through profit or loss		**3,071**	23,531
Restricted bank deposits		**–**	157,312
Cash and bank balances		**149,605**	222,143
Total current assets		**397,749**	2,937,071
CURRENT LIABILITIES			
Accounts payable	*18*	**14,437**	17,608
Other payables and accruals		**664,852**	159,576
Interest-bearing borrowings	*19*	**2,725,687**	1,340,756
Convertible instruments	*20*	**–**	1,347,922
Lease liabilities		**12,232**	–
Tax payable		**–**	25,719
Total current liabilities		**3,417,208**	2,891,581
Net current assets/(liabilities)		**(3,019,459)**	45,490
Total assets less current liabilities		**(2,297,625)**	3,187,733

	Note	**2020**	2019
		HK$'000	*HK$'000*
NON-CURRENT LIABILITIES			
Interest-bearing borrowings	*19*	**30,000**	58,000
Lease liabilities		**1,045**	–
Deferred tax liability		**2,561**	3,442
Total non-current liabilities		**33,606**	61,442
Net assets/(liabilities)		**(2,331,231)**	3,126,291
EQUITY/(DEFICIT)			
Equity attributable to owners of the Company			
Issued capital		**18,682**	15,682
Reserves		**(2,349,913)**	2,441,028
		(2,331,231)	2,456,710
Non-controlling interests		**–**	669,581
Total equity/(deficit)		**(2,331,231)**	3,126,291

1. BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("**HKASs**") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for other financial assets and investments at fair value through profit or loss which have been measured at fair value. These financial statements are presented in Hong Kong dollars and all values are rounded to the nearest thousand except where otherwise indicated.

Appointment of the Provisional Liquidators, suspension of trading in shares of the Company and going concern basis

On 12 March 2019 and 10 April 2019, the Company received demand letters from lenders for immediate repayment of outstanding principal amounts of approximately HK$783,747,000 and HK$429,197,000 respectively. On 26 April 2019, the Company received a notice of event of default from another lender intended to reserve its right to demand immediate repayment for borrowings with an outstanding principal amount of approximately HK$776,514,000 at 31 March 2019. On 10 May 2019, the Company received a notice of petition from one of the above lenders (the "**Petition**") issued under the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong) from the High Court of the Hong Kong Special Administrative Region (the "**High Court**") that the Company be wound up by the High Court on the ground that the Company was insolvent and unable to pay its debts. In addition on 10 June 2019, the Company received a notice of event of default and repayment from another lender for immediate repayment of outstanding principal, together with accrued interest due totaling to approximately HK$718,436,000.

On 28 February 2020, the High Court ordered that Messrs. Lai Kar Yan (Derek) and Ho Kwok Leung Glen of Deloitte Touche Tohmatsu be appointed as provisional liquidators of the Company (the "**Provisional Liquidators**") with power to act jointly and severally until the determination of the Petition or further order of the High Court. At the request of the Company, trading in the Company's shares on the Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") has been suspended with effect from 1:12 p.m. on 28 February 2020. Trading in the shares of the Company will remain suspended until further notice.

On 26 March 2020, upon application made by the Provisional Liquidators, the High Court granted an order to extend the Provisional Liquidators' power such that the Provisional Liquidators are empowered to, inter alia, to consider and, if thought to be in the best interests of creditors of the Company, to enter into discussions and/or negotiations for and on behalf of the Company, for the purpose of, but not limited to, restructuring of the Company's business and operations, and/or restructuring or rescheduling the Company's indebtedness, or for the sale of its assets, provided that any such proposed restructuring, rescheduling or sale shall not be binding on the Company unless and until approved by the High Court.

On 4 November 2020, upon application made by the Provisional Liquidators, the Grand Court of the Cayman Islands (the "**Grand Court**") issued an order, which, among other things, recognised the appointment of Messrs. Lai Kar Yan (Derek) and Ho Kwok Leung Glen of Deloitte Touche Tohmatsu as joint and several provisional liquidators of the Company pursuant to orders of the High Court of the Hong Kong Special Administrative Region dated 28 February 2020 and subsequently amended on 26 March 2020 and the Provisional Liquidators presenting and prosecuting a petition in the Grand Court in respect of the creditors' scheme of arrangement pursuant to section 86 of the Companies Law (2020 Revision) in furtherance of the proposed rescue and restructuring of the Company and its debts.

On 26 November 2020, the Provisional Liquidators and the Petitioner jointly applied to the High Court requesting to vacate the next adjourned hearing of the Petition to be fixed on 14 December 2020 and to adjourn it for 4 months to 19 April 2021. On 30 November 2020, the High Court has approved to adjourn the hearing of the Petition to 19 April 2021.

Since their appointment, the Provisional Liquidators have taken all necessary actions to preserve the assets and have been managing the affairs of the Group.

As at 31 March 2020, the Group had net current liabilities and net liabilities of approximately HK$3,019,459,000 and HK$2,331,231,000 respectively (2019: net current assets of approximately HK$45,490,000 and net assets of approximately HK$3,126,291,000). During the year ended 31 March 2020, the Group incurred a loss attributable to owners of the Company of approximately HK$3,838,847,000 (2019: HK$2,160,250,000).

The directors of the Company have been taking measures to improve the liquidity and solvency position of the Group. These measures include (i) identified the Investor (as defined below) for putting forward a debt restructuring of the Company and provision of loans to the Company, details of which are set out below at the paragraphs headed under "**Proposed restructuring of the Group**"; (ii) put forward a debt restructuring plan to the creditors of the Company by way of Scheme of Arrangement; (iii) speeding up the collection of receivables process; and (iv) tightening operating cash outflows through cutting costs and capital expenditures.

As at the date of approval of these financial statements, the implementations of these measures are still in progress. The validity of the going concern assumption on which the consolidated financial statements are prepared is dependent on the successful and favourable outcomes of the measures taken by the directors of the Company. The consolidated financial statements have been prepared on the assumption that the Group will continue as a going concern and, therefore, do not include any adjustments relating to the realisation and classification of non-current assets and non-current liabilities that may be necessary if the Group is unable to continue as a going concern. Should the going concern assumption be inappropriate, adjustments may have to be made to reflect the situation that assets may need to be realised at amounts other than those currently recorded in the consolidated statement of financial position. In addition, the Group may have to provide for further liabilities that might arise, and to reclassify non-current assets and non-current liabilities as current assets and current liabilities.

Listing status of the Company

On 19 March 2020, the Company received a letter from the Stock Exchange, in which, inter alia, the Stock Exchange set out the following resumption guidance for the Company (the "**Resumption Guidance**"):

1. demonstrate the Company's compliance with Rule 13.24 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "**Listing Rules**");

2. have the winding-up petition(s) withdrawn or dismissed and the joint and several provisional liquidators discharged; and

3. inform the market of all material information for the Company's shareholders and other investors to appraise the Group's position.

On 30 June 2020, the Company received another letter from the Stock Exchange, in which the Stock Exchange set out the following additional Resumption Guidance for the Company:

4. publish all outstanding financial results and address any audit modification(s).

Under Rule 6.01A(1) of the Listing Rules, it may cancel the listing of any securities that have been suspended from trading for a continuous period of 18 months. In the case of the Company, the 18-month period expires on 27 August 2021 (the "**Deadline**"). The Stock Exchange advised that if the Company fails to remedy the issues causing its trading suspension, fulfil the resumption guidance and fully comply with the Listing Rules to the Stock Exchange's satisfaction, the Listing Division will recommend the Listing Committee to proceed with the cancellation of the Company's listing. Under Rules 6.01 and 6.10 of the Listing Rules, the Stock Exchange also has the right to impose a shorter specific remedial period, where appropriate.

The Company will take appropriate steps to fully comply with the Listing Rules to the Stock Exchange's satisfaction in order to have trading in the Company's shares resumed. The Company will keep the public informed of developments in this regard by making further announcements as and when appropriate.

Proposed restructuring of the Group

References are made to the Company's announcements dated 13 August 2020, 27 August 2020, 17 November 2020, 23 November 2020, 27 November 2020 and 30 December 2020 in relation to the restructuring of the Company. Unless otherwise specified, capitalised terms used herein shall have the same meanings as in these announcements.

On 13 August 2020, the Company, the Provisional Liquidators and the Investor entered into the Term Sheet, setting out the key commercial terms of the proposed Restructuring of the Company.

On 2 September 2020, the Provisional Liquidators obtained the sanction from the High Court for entering into, among others, the Term Sheet and all requisite agreements arising therefrom in order to implement the proposed Restructuring.

On 10 September 2020, the Company, the Provisional Liquidators and the Investor entered into the Restructuring Deed, pursuant to which the Company, the Provisional Liquidators and the Investor agreed on the principal terms of the Restructuring which shall include, among others, (a) the provision of the First Loan and the Second Loan by the Investor; (b) the Subscription; (c) the Share Premium Cancellation; (d) the Resumption; (e) if the Resumption is not approved by the Stock Exchange, the Acquisition; and (f) the Schemes.

On 21 October 2020, SFC has approved the Investor to become a substantial shareholder of the Licensed Corporations.

On 17 November 2020 and 18 December 2020, the Company, the Provisional Liquidators and the Investor entered into the first supplemental deed and the second supplemental deed respectively, pursuant to which the parties agreed to further amend the terms of the Restructuring Deed and/or the First Loan Agreement.

On 24 December 2020, upon application of the Provisional Liquidators, the High Court has approved the convening of the Scheme Meetings. The Scheme Meetings is fixed on 22 January 2021.

1. The provision of the First Loan and the Second Loan by the Investor

The First Loan Agreement

On 10 September 2020, the Company (as borrower), the Provisional Liquidators and the Investor (as lender) entered into the First Loan Agreement, pursuant to which the Investor shall make available to the Company (a) HK$161,174,982, being an amount equivalent to the LC Agreed Consideration; and (b) the Top-up Loan Amount (if any).

In the event that the Resumption is approved by the Stock Exchange (whether conditionally or unconditionally), the Investor shall convert the First Loan (including the Initial Deposit and the Top-up Loan Amount (if any)) into the First Loan Conversion Shares which, together with the Subscription Shares, shall represent 80% of the enlarged issued share capital of the Company upon completion of the First Loan Conversion, the Subscription and the issue of the Scheme Shares. The First Loan Conversion Shares shall be issued and allotted to the Investor simultaneously with the Subscription Shares. Upon completion of the First Loan Conversion, all outstanding liabilities of the Company under the First Loan Agreement shall be deemed fully paid and settled and no longer outstanding.

The Second Loan Agreement

On 10 September 2020, the Company (as borrower), the Provisional Liquidators and the Investor (as lender) entered into the Second Loan Agreement, pursuant to which the Investor shall make available to the Company interest-free and unsecured loans of up to HK$40 million in aggregate.

If the Resumption is approved by the Stock Exchange (whether conditionally or unconditionally), the Investor may, within the Conversion Period, convert the Second Loan into the Second Loan Conversion Shares which, together with the First Loan Conversion Shares and the Subscription Shares, shall represent approximately 75% of the enlarged issued share capital of the Company upon completion of the First Loan Conversion, the Subscription, the issue of the Scheme Shares, the Placing Down and the Second Loan Conversion. Upon completion of the Second Loan Conversion, all outstanding liabilities of the Company under the Second Loan Agreement shall be deemed fully paid and settled and no longer outstanding.

In the event that the Resumption is not approved by the Stock Exchange by the Long Stop Date, the Second Loan (less the Second Loan Expended Portion) shall be due and payable to the Investor by the Company on demand within fourteen (14) Business Days, the Investor shall be entitled to exercise all its rights as an unsecured creditor against the Company in relation to the Second Loan and the Second Loan Expended Portion shall cease to be repayable to the Investor. In the event that the Investor does not convert the Second Loan within the Conversion Period, the Second Loan shall be due and payable to the Investor by the Company on demand after the lapse of the Conversion Period and the Investor shall be entitled to exercise all its rights as an unsecured creditor against the Company in relation to the Second Loan.

2. The Subscription

In the event that the Resumption is approved by the Stock Exchange (whether conditionally or unconditionally), the Investor shall inject into the Company the New Subscription Proceeds of HK$80 million by subscribing the Subscription Shares which, together with the First Loan Conversion Shares, shall represent 80% of the enlarged issued share capital of the Company upon completion of the Subscription, the First Loan Conversion and the issue of the Scheme Shares. The New Subscription Proceeds, together with any accrued interest, shall be applied as the Scheme Cash Consideration under the ListCo Schemes.

3. The Share Premium Cancellation

The Share Premium Cancellation shall involve the cancellation of the entire amount standing to the credit of the share premium account of the Company of approximately HK$2.78 billion. The credit arising from the Share Premium Cancellation shall be applied towards offsetting the accumulated deficit of the Company as at the effective date of the Share Premium Cancellation.

4. The Resumption

To facilitate the Resumption, each of the Company, the Provisional Liquidators and the Investor undertakes and agrees to use its best endeavours to procure the compliance with the Resumption Guidance as soon as reasonably practicable in accordance with the terms of the Restructuring Deed.

5. The Acquisition (if the Resumption is not approved by the Stock Exchange)

In the event that the Resumption is not approved by the Stock Exchange by the Long Stop Date, the Company shall, for the purpose of discharging and setting off its obligations to repay all the outstanding liabilities under the First Loan Agreement, procure the transfer of all shareholding interests in the Retained Subsidiaries by their respective immediate holding companies to the Investor or its nominee which shall take place in accordance with the terms of the Acquisition SPA at the consideration of HK$1.00. Upon completion of the Acquisition, the obligation of the Company to repay the Investor all outstanding liabilities under the First Loan Agreement shall be deemed fully discharged.

On 24 September 2020, the Acquisition SPA has been entered into with the Investor in respect of the transfer of all shareholding interests in the Retained Subsidiaries which shall take effect upon (i) the Investor having provided the First Loan to the Company in accordance with the terms of the First Loan Agreement; and (ii) the Resumption Proposal not having been approved by the Stock Exchange by the Long Stop Date.

In the event that the Resumption is approved by the Stock Exchange (whether conditionally or unconditionally), then the Retained Subsidiaries will remain in the Retained Group as subsidiaries of the Company immediately after the First Loan Conversion and the Subscription.

6. The Schemes

Pursuant to the Restructuring Deed, the debt restructuring of the Group shall be implemented by way of the Schemes.

The principal terms of the ListCo Schemes are as follows:

(a) all claims of the ListCo Creditors against the Company as at the ListCo Schemes Effective Date will be fully and finally discharged by virtue of the implementation of the ListCo Schemes;

(b) the Group will undergo the Group Reorganisation, pursuant to which the entire interests of the Excluded Subsidiaries will be transferred to the ListCo Schemes SchemeCo at a nominal value;

(c) after the ListCo Schemes Effective Date and if and only if the completion of the Subscription having taken place, the New Subscription Proceeds will be injected to the ListCo Schemes as the Scheme Cash Consideration;

(d) the Scheme Shares, representing approximately 10% of the enlarged issued share capital of the ListCo upon Completion, shall be allotted and issued by the Company to the Scheme Administrators or the ListCo Schemes SchemeCo simultaneously with the allotment and issue of the First Loan Conversion Shares and the Subscription Shares, for the benefit of the ListCo Schemes Creditors; and

(e) any realisation from the assets of the ListCo Schemes, which shall comprise, among others, (i) the Scheme Shares; (ii) shares in and assets of the Excluded Subsidiaries; and (iii) the Scheme Cash Consideration, shall be applied for distribution to the ListCo Schemes Creditors with ListCo Admitted Claims; and payment of the costs and expenses for the implementation of the ListCo Schemes.

Deconsolidation of subsidiaries

The consolidated financial statements have been prepared based on the books and records maintained by the Group. However, due to the resignation of certain senior management personnel of the Company and non-cooperation of the management of certain subsidiaries (the "**Deconsolidated Subsidiaries**"), the directors of the Company had been unable to obtain and gain access to the books and records and assets of the Deconsolidated Subsidiaries and resolved that the Group no longer had the controlling power to govern the financial and operating policies of the Deconsolidated Subsidiaries so as to benefit from their activities, and accordingly the control over the Deconsolidated Subsidiaries was deemed to have lost since 1 April 2019. The Deconsolidated Subsidiaries had therefore been deconsolidated from the consolidated financial statements of the Group from 1 April 2019 onwards on the basis of loss of control. The assets and liabilities of the following subsidiaries were therefore deconsolidated from the consolidated financial statements of the Group since 1 April 2019.

i. Wins Finance Holdings Inc. ("**Wins Finance**")

ii. Wins Finance Group Limited

iii. Full Shine Capital Resources Limited

iv. Jinshang International Financial Leasing Co., Ltd.* 晉商國際融資租賃有限公司

v. Shanxi Jinchen Agriculture Co., Ltd.* 山西晉辰農業有限公司

vi. Shanxi Dongsheng Financial Guarantee Co., Ltd.* 山西棟盛融資擔保有限公司

* These entities are registered in Chinese names only as wholly-foreign-owned enterprises under the People's Republic of China (the "**PRC**") laws and their English names disclosed above are for identification only.

2. CHANGES IN ACCOUNTING POLICIES AND DISCLOUSRES

The HKICPA has issued a number of new HKFRSs and amendments to HKFRSs that are first effective for the current accounting period of the Group. Of these, the following developments are relevant to the Group's consolidated financial statements:

HKFRS 16	Leases
Amendments to HKFRS 9	Prepayment Features with Negative Compensation
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures
Annual Improvements to HKFRSs 2015-2017 Cycle	Amendments to HKFRS 3, HKFRS 11, HKAS 12 and HKAS 23
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments

Other than as explained below regarding the impact of HKFRS 16 *Leases*, the adoption of the above new and revised standards has had no significant financial effect on these financial statements.

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period. The nature and impact of the new and revised HKFRSs are described below:

HKFRS 16 Leases

HKFRS 16 replaces HKAS 17 *Leases*, HK(IFRIC)-Int 4 *Determining whether an Arrangement contains a Lease*, HK(SIC)-Int 15 *Operating Leases – Incentives* and HK(SIC)-Int 27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model. Lessor accounting under HKFRS 16 is substantially unchanged from HKAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in HKAS 17. Therefore, HKFRS 16 did not have any financial impact on leases where the Group is the lessor.

The Group adopted HKFRS 16 using the modified retrospective method of adoption with the date of initial application of 1 April 2019. Under this method, the standard is applied retrospectively with cumulative effect on initial adoption as an adjustment to the opening balance of equity at 1 April 2019 and the comparative information was not restated and continues to be reported under HKAS 17.

New definition of lease

Under HKFRS 16, a contract is, or contains a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to obtain substantially all of the economic benefits from use of the identified asset and the right to direct the use of the identified asset. The Group elected to use the transition practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)-Int 4 at the date of initial application. Contracts that were not identified as leases under HKAS 17 and HK(IFRIC)-Int 4 were not reassessed. Therefore, the definition of a lease under HKFRS 16 has been applied only to contracts entered into or changed on or after 1 April 2019.

As a lessee – Leases previously classified as operating leases

Nature of the effect of adoption of HKFRS 16

The Group has lease contracts for various items of properties. As a lessee, the Group previously classified leases as either finance leases or operating leases based on the assessment of whether the lease transferred substantially all the rewards and risks of ownership of assets to the Group. Under HKFRS 16, the Group applies a single approach to recognise and measure right-of-use assets and lease liabilities for all leases, except for two elective exemptions for leases of low-value assets (elected on a lease by lease basis) and short-term leases (elected by class of underlying asset). Instead of recognising rental expenses under operating leases on a straight-line basis over the lease term commencing from 1 April 2019, the Group recognises depreciation (and impairment, if any) of the right-of-use assets and interest accrued on the outstanding lease liabilities (as finance costs). The Group has elected not to recognise right-of-use assets and lease liabilities for (i) leases of low-value assets; and (ii) leases, that at the commencement date, have a lease term of 12 months or less. Instead, the Group recognises the lease payments associated with those leases as an expense on a straight-line basis over the lease term.

Impacts on transition

Lease liabilities at 1 April 2019 were recognised based on the present value of the remaining lease payment, discounted using the incremental borrowing rate at 1 April 2019.

The right-of-use assets were measured at the amount of the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to the lease recognised in the consolidated statement of financial position immediately before 1 April 2019. All these assets were assessed for any impairment based on HKAS 36 on that date. The Group elected to present the right-of-use assets within property, plant and equipment in the consolidated statement of financial position.

The Group has used the following elective practical expedients when applying HKFRS 16 at 1 April 2019:

- Applied the short-term lease exemptions to leases with a lease term that ends within 12 months from the date of initial application
- Used hindsight in determining the lease term where the contract contains options to extend/terminate the lease
- Use of a single discount rate to a portfolio of leases with reasonably similar characteristics
- Excluded the initial direct costs from the measurement of the right of use asset at date of initial application

The impacts arising from the adoption of HKFRS 16 as at 1 April 2019 are as follows:

	HK$'000
Assets	
Increase in property, plant and equipment and total assets	22,853
Liabilities	
Increase in lease liabilities and total liabilities	24,098
Increase in accumulated losses	1,245

The lease liabilities as at 1 April 2019 reconciled to the operating lease commitments as at 31 March 2019 is as follows:

	HK$'000
Operating lease commitments as at 31 March 2019	32,296
Less: Commitments relating to leases exempt from capitalisation:	
– Short-term leases and other leases with remaining lease term ending on or before 31 March 2020	(3,387)
Operating lease liabilities before discounting	28,909
Weighted average incremental borrowing rate as at 1 April 2019	12.91%
Discounted operating lease commitments and lease liabilities as at 1 April 2019	24,098

Analysed as:

	HK$'000
Current	10,821
Non-current	13,277
	24,098

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Critical judgements in applying accounting policies

The following are the critical judgements, apart from those involving estimations (see below), that the directors of the Company have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the consolidated financial statements.

(a) Significant judgement in determining the lease term of contracts with renewal options

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Group applies judgement in evaluating whether it is reasonably certain to exercise the option to renew. It considers all relevant factors that create an economic incentive for it to exercise the renewal. After the lease commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within the control of the Group and affects its ability to exercise the option to renew.

(b) Going concern consideration

In the process of applying the Group's accounting policies, apart from those involving estimates, the directors of the Company have prepared the consolidated financial statements on the assumption that the Group will be able to operate as a going concern in the coming year, which is a critical judgement that has the most significant effect on the amounts recognised in the financial statements. The assessment of the going concern assumption involves making a judgement by the directors of the Company, at a particular point of time, about the future outcome of events or conditions which are inherently uncertain. The directors of the Company consider that the Group has the capability to continue as a going concern and the major events or conditions, which may give rise to business risks, that individually or collectively may cast significant doubt upon the going concern assumption are set out in note 1.

(c) Deconsolidation of subsidiaries

Note 1 describes that the Group no longer had control to govern the financial and operating policies of the Deconsolidated Subsidiaries so as to benefit from their activities and the Deconsolidated Subsidiaries had therefore been deconsolidated from the consolidated financial statements of the Company since 1 April 2019.

In making their judgement, the directors of the Company considered the criteria for the consolidation of an entity as set out in HKFRS 10 *Consolidated Financial Statements* issued by the HKICPA. In light of the problems identified, the directors of the Company are of the opinion that the Group can no longer exercise its ownership rights in the Deconsolidated Subsidiaries, and accordingly, deconsolidated the Deconsolidated Subsidiaries from the consolidated financial statements of the Group since 1 April 2019.

4. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their services and has reportable operating segments as follows:

(a) securities and futures brokerage, placing, underwriting and margin financing segment engages in the provision of securities and futures brokerage placing, underwriting and margin financing services;

(b) provision of finance segment engages in the provision of financing services in Hong Kong;

(c) insurance brokerage business segment engages in insurance brokerage business and the provision of financial planning and related services;

(d) trading of securities and futures segment engages in the purchase and sale of securities and futures investments;

(e) factoring, financial guarantee and finance leasing segment engages in the provision of factoring, financial guarantee and finance leasing services and related activities;

(f) investment holding segment engages in holding investments for continuing strategic or long-term purposes, primarily for dividend income and capital appreciation; and

(g) corporate finance advisory segment engages in the provision of corporate finance advisory services and related activities.

Upon certain major operating subsidiaries being deconsolidated from the consolidated financial statements of the Group since 1 April 2019, the directors of the Company considered that the operations of the financial guarantee and finance leasing services were suspended.

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit/(loss), which is a measure of adjusted loss before tax. The adjusted loss before tax is measured consistently with the Group's loss before tax except that bank and other interest income (excluding interest income from the provision of finance, margin financing, factoring and finance leasing activities), finance costs as well as head office and corporate expenses are excluded from such measurement.

Intersegment transactions are made with reference to the prices used for services made to independent third parties at the then prevailing market prices.

No analysis of the Group's assets and liabilities by operating segments was provided to the management for review during the years ended 31 March 2020 and 2019 for the purposes of resources allocation and performance assessment.

Year ended 31 March 2020/As at 31 March 2020

	Securities and futures brokerage, placing, underwriting and margin financing *HK$'000*	Provision of finance *HK$'000*	Insurance brokerage business *HK$'000*	Trading of securities and futures *HK$'000*	Factoring, financial guarantee and finance leasing *HK$'000*	Investment holding *HK$'000*	Corporate finance advisory *HK$'000*	Total *HK$'000*
Segment revenue:								
Sales to external customers	48,567	12,570	7,440	(48)	–	–	–	68,529
Intersegment sales	–	–	16	–	–	–	–	16
	48,567	12,570	7,456	(48)	–	–	–	68,545
Reconciliation:								
Elimination of intersegment sales								(16)
Total revenue								68,529
Segment results:	(10,252)	(255,991)	413	(20,546)	(366,259)	(2,429,440)	(92)	(3,082,167)
Reconciliation:								
Bank interest income								882
Other interest income								113
Corporate and other unallocated expenses								(63,966)
Finance costs								(695,527)
Loss before tax								(3,840,665)
Other segment information:								
Provision for impairment loss of loans receivable	–	(266,085)	–	–	–	–	–	(266,085)
Reversal of provision for impairment loss of accounts receivable, net	73	–	(1)	–	119	–	–	191
Provision for impairment loss of factoring receivables	–	–	–	–	(297,529)	–	–	(297,529)
Impairment loss of prepayments, deposits and other receivables	–	–	–	–	–	(45,792)	–	(45,792)
Impairment loss of investments in associates	–	–	–	–	–	(341,674)	–	(341,674)
Loss on deconsolidation of subsidiaries	–	–	–	–	–	(2,092,200)	–	(2,092,200)
Depreciation								
– operating segment	(372)	–	(5)	–	(134)	–	–	(511)
– unallocated								(12,743)
								(13,254)
Other financial assets	660,301	–	–	–	–	25,704	–	686,005
Capital expenditure								
– Operating segment	–	–	–	–	3	–	–	3*

* These amounts represented additions to property, plant and equipment.

Year ended 31 March 2019/As at 31 March 2019

	Securities and futures brokerage, placing, underwriting and margin financing *HK$'000*	Provision of finance *HK$'000*	Insurance brokerage business *HK$'000*	Trading of securities and futures *HK$'000*	Factoring, financial guarantee and finance leasing *HK$'000*	Investment holding *HK$'000*	Corporate finance advisory *HK$'000*	Total *HK$'000*
Segment revenue:								
Sales to external customers	66,660	74,099	16,755	(283,407)	51,260	–	–	(74,633)
Intersegment sales	–	–	92	–	–	–	–	92
	66,660	74,099	16,847	(283,407)	51,260	–	–	(74,541)
Reconciliation:								
Elimination of intersegment sales								(92)
Total revenue								(74,633)
Segment results:	(27,580)	(1,298,502)	(4,242)	(314,268)	(70,334)	(77,439)	(126)	(1,792,491)
Reconciliation:								
Bank interest income								622
Other interest income								55
Investment income on other financial assets								95,912
Corporate and other unallocated expenses								(79,714)
Finance costs								(374,185)
Loss before tax								(2,149,801)
Other segment information:								
Share of profits of associates and a joint venture	–	–	–	–	–	39,615	–	39,615
Provision for impairment loss of loans receivable, net	–	(1,368,726)	–	–	–	–	–	(1,368,726)
Provision for impairment loss of accounts receivable, net	(20,115)	–	–	–	–	–	–	(20,115)
Provision for impairment loss of finance lease receivables	–	–	–	–	(89,198)	–	–	(89,198)
Depreciation								
– operating segment	(497)	–	(7)	–	(1,282)	–	–	(1,786)
– unallocated								(2,199)
								(3,985)
Investments in associates	–	–	–	–	23,387	341,674	–	365,061
Other financial assets	731,731	–	–	–	1,148,314	871,216	–	2,751,261
Capital expenditure								
– operating segment	5	–	–	–	14	–	–	19*
– unallocated								2,085*
								2,104

* These amounts represented additions to property, plant and equipment.

Geographical information

(a) Revenue from external customers

	2020	2019
	HK$'000	*HK$'000*
Hong Kong	**68,529**	(125,893)
The PRC	**–**	51,260
Total	**68,529**	(74,633)

The geographic location of revenue from external customers is based on the location of the customers at which the services were rendered.

(b) Non-current assets

	2020	2019
	HK$'000	*HK$'000*
Hong Kong	**35,371**	375,378
The PRC	**458**	683,855
Total	**35,829**	1,059,233

The geographic location of the non-current assets is based on the location of the operations to which they are allocated.

Information about major customers

Included in revenue arising from major customers which individually accounted for over 10% of the Group's revenue for the year:

	2020	2019
	HK$'000	*HK$'000*
Provision of finance		
Customer A	**–**	28,276
Customer B	**12,570**	–

The Group's losses from the sale of investments at fair value through profit or loss are excluded from total revenue for the purpose of identifying major customers of the Group who accounted for over 10% of the Group's revenue.

5. REVENUE, OTHER INCOME AND GAINS

Revenue represents commission and brokerage income from securities and futures dealings; commission from placing and underwriting services; interest income on margin financing activities; insurance brokerage income; interest income earned from the provision of finance; net losses from the sale of investments at fair value through profit or loss; commissions and fees from financial guarantee services; factoring interest income and finance lease interest income for the year.

An analysis of revenue, other income and gains is as follows:

	2020	2019
	HK$'000	*HK$'000*
Revenue		
Commission and brokerage income from securities and futures dealings	**44,615**	53,360
Commission from placing and underwriting services	**1,126**	3,473
Interest income on margin financing activities	**2,826**	9,827
Insurance brokerage income	**7,440**	16,755
Interest income from provision of finance	**12,570**	74,099
Losses from the sale of investments at fair value through profit or loss, net *(note)*	**(48)**	(283,407)
Commissions and fees from financial guarantee services	**–**	10,069
Factoring interest income	**–**	11,865
Finance lease interest income	**–**	29,326
	68,529	(74,633)
Other income and gains		
Bank interest income	**882**	622
Other interest income	**113**	55
Investment income on other financial assets	**–**	95,912
Dividend handling charge and other surcharges	**237**	2,262
Modification gain on convertible bonds	**–**	654
Foreign exchange differences, net	**657**	2,666
Others	**820**	10,167
	2,709	112,338

Note: The gross proceeds from the sale of investments at fair value through profit or loss for the year were approximately HK$15,000 (2019: HK$121,460,000).

6. LOSS BEFORE TAX

The Group's loss before tax is arrived at after charging/(crediting):

	Notes	2020 HK$'000	2019 HK$'000
Depreciation		**13,254**	3,985
Employee benefit expenses (excluding directors' remuneration):			
Salaries and allowances		**41,571**	45,081
Retirement benefit scheme contributions (defined contribution scheme) *(note a)*		**1,040**	1,112
Equity-settled share option expense		**–**	20,348
		42,611	66,541
Auditor's remuneration		**1,836**	3,200
Equity-settled share option expense *(note b)*		**–**	74,268
Minimum lease payments under operating leases *(note c)*		**–**	28,870
Modification gain on convertible bonds *(note d)*		**–**	(654)
Provision for impairment loss of loans receivable, net	*15*	**266,085**	1,368,726
Provision/(reversal of provision) for impairment loss of accounts receivable, net	*17*	**(191)**	20,115
Provision for impairment loss of finance lease receivables	*14*	**–**	89,198
Provision/(reversal of provision) for impairment loss of factoring receivables	*16*	**297,529**	(68)
Impairment loss of investments in associates	*12*	**341,674**	–
Impairment loss of prepayments, deposits and other receivables		**45,792**	–
Impairment loss of accounts receivable recognised *(note e)*	*17*	**–**	5,059
Loss on disposal of items of property, plant and equipment *(note e)*		**40**	6,755
Loss on deconsolidation of subsidiaries	*8*	**2,092,200**	–

Notes:

(a) At 31 March 2020, the Group had no material forfeited contributions available to reduce its contributions to the retirement benefit scheme in future years (2019: Nil).

(b) Amount included approximately HK$20,348,000 classified as employees benefit expenses and approximately HK$45,296,000 classified as directors' emoluments for the year ended 31 March 2019.

(c) The Group has initially applied HKFRS 16 at 1 April 2019 using the modified retrospective approach and comparative information is not restated (note 2). During the year ended 31 March 2020, expenses relating to short-term leases and leases of low-value assets not included in the measurement of lease liabilities are recorded in profit or loss as incurred.

(d) Modification gain on convertible bonds was included in "Other income and gains" for the year ended 31 March 2019 in the consolidated statement of profit or loss.

(e) These items are included in "Other expenses, net" for the years ended 31 March 2020 and 31 March 2019 in the consolidated statement of profit or loss.

7. FINANCE COSTS

	2020	2019
	HK$'000	*HK$'000*
Interests on borrowings	**551,040**	123,305
Interests on convertible instruments	**129,439**	211,336
Interests on lease liabilities	**3,111**	–
Other finance costs	**11,937**	39,544
	695,527	374,185

8. DECONSOLIDATION OF SUBSIDIARIES

The directors of the Company considered that the control over certain subsidiaries had been lost since 1 April 2019. The assets and liabilities of these subsidiaries were deconsolidated from the consolidated financial statements of the Group since 1 April 2019.

Net assets of these subsidiaries as at the date of loss of control were as follows:

		HK$'000
Property, plant and equipment		951
Goodwill		659,169
Investment in an associate		23,387
Other financial assets		1,148,314
Finance lease receivables		863,326
Prepayments, deposits and other receivables		84,090
Accounts receivable		22,865
Restricted bank deposits		157,312
Cash and bank balances		25,400
Other payables and accruals		(108,126)
Interest-bearing borrowings		(30,313)
Tax payable		(23,073)
Deferred tax liability		(839)
Net assets deconsolidated		2,822,463
Less:	Release of exchange fluctuation reserve	(52,085)
	Release of statutory reserve	(8,597)
	Non-controlling interests	(669,581)
Loss on deconsolidation of subsidiaries		2,092,200

9. INCOME TAX EXPENSE/(CREDIT)

	2020	2019
	HK$'000	*HK$'000*
Current		
Charge/(credit) for the year		
– Hong Kong	**(2,637)**	–
– the PRC	**40**	3,692
Under/(over) provision in prior years	**821**	(240)
Deferred	**(42)**	(58)
Total tax expense/(credit) for the year	**(1,818)**	3,394

The share of tax charge attributable to associates amounting to HK$1,368,000 is included in "Share of profits of associates and a joint venture" in the consolidated statement of profit or loss for the year ended 31 March 2019.

10. LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY

(a) Basic loss per share

The calculation of the basic loss per share is based on the loss for the year attributable to ordinary equity holders of the Company of HK$3,838,847,000 (2019: HK$2,160,250,000), and the weighted average number of ordinary shares of 1,764,897,500 (2019: 1,567,995,103) in issue during the year.

The calculation of weighted average number of ordinary shares at the end of the reporting period is as follows:

	2020	2019
Number of shares		
Issued ordinary shares at beginning of year	**1,568,176,188**	15,663,401,881
Effect of issue of new shares	**196,721,312**	–
Effect of conversion of the convertible instruments	**–**	16,549,151
Effect of share consolidation	**–**	(14,111,955,929)
Weighted average number of ordinary shares at end of year	**1,764,897,500**	1,567,995,103

(b) Diluted loss per share

The calculation of diluted loss per share is based on the loss for the year attributable to ordinary equity holders of the Company of HK$3,838,847,000 (2019: HK$2,160,250,000), and the weighted average number of ordinary shares of 1,764,897,500 (2019: 1,567,995,103).

No adjustment has been made to the basic loss per share amount presented for the year ended 31 March 2020 in respect of a dilution as the calculation of diluted loss per share for the year ended 31 March 2020 does not assume the exercise of the Company's outstanding share options as it had no dilutive effect on the basic loss per share. (2019: No adjustment has been made to the basic loss per share amount presented for the year ended 31 March 2019 in respect of a dilution as the calculation of diluted loss per share for the year ended 31 March 2019 does not assume (i) the conversion of the Company's outstanding convertible instruments since it would result an anti-dilutive effect on the basic loss per share; and (ii) the exercise of the Company's outstanding share options as it had no dilutive effect on the basic loss per share.)

The Company had no dilutive potential ordinary shares in issue during the years ended 31 March 2020 and 2019.

11. GOODWILL

	2020	2019
	HK$'000	*HK$'000*
Cost and carrying amount		
At beginning of year	**660,674**	660,674
Deconsolidation of subsidiaries *(note 8)*	**(659,169)**	–
At end of year	**1,505**	660,674

Goodwill has been allocated for impairment testing purposes to the following cash generating units ("**CGUs**").

– Financial guarantee and finance leasing business in the PRC ("**CGU A**"), as disclosed in notes 1 and 8, the goodwill allocated to these subsidiaries (that is CGU A) were deconsolidated since 1 April 2019.

– Insurance and securities brokerage business in Hong Kong ("**CGU B**")

The carrying amounts of goodwill allocated to these units are as below:

	2020	2019
	HK$'000	*HK$'000*
CGU A	**–**	659,169
CGU B	**1,505**	1,505
At 31 March	**1,505**	660,674

12. INVESTMENTS IN ASSOCIATES

There is no sufficient financial information of all the associates for the year ended 31 March 2020 available to the Group because the management of the associates refused to provide such required financial information to the Group. Based on the assessment of the directors of the Company, the Group had fully impaired its investments in associates of approximately HK$341,674,000 during the year ended 31 March 2020 and no information of the assets, liabilities, non-controlling interests, revenue, profit/loss for the year and other comprehensive income of the associates as of, and for the year ended 31 March 2020 is presented. One of associates with carrying value of HK$23,387,000 was being deconsolidated (note 8) during the year.

The Company accounted for their investments in associates using the equity method for the reporting periods.

13. OTHER FINANCIAL ASSETS

	2020	2019
	HK$'000	*HK$'000*
Non-current:		
Investments at fair value through other comprehensive income (non-recycling)		
– Unlisted equity investment in the PRC *(note a)*	**660,301**	731,731
– Other unlisted equity investment *(note b)*	**–**	841,762
– Listed equity investment in the Philippines *(note c)*	**25,704**	29,454
	686,005	1,602,947
Current:		
Investments carried at fair value through profit or loss		
– Unlisted wealth management products *(note d)*	**–**	1,148,314

Notes:

(a) Balance represented 12.17% equity interest in a full-licensed securities company in China (Shanghai) Pilot Free Trade Zone under the framework of the Closer Economic Partnership Arrangement between Mainland China and Hong Kong.

(b) Balance represented 19.06% equity interest in an investment holding company ("**Entity A**") which was acquired in April 2018. Subsequent to the end of the reporting period ended 31 March 2020, the equity interest of the Group in Entity A was diluted to 15.20%.

Due to the non-cooperation of the management of Entity A, the directors of the Company had been unable to obtain and access to the books and records and no sufficient financial information of Entity A as at and for the year ended 31 March 2020 is available to the directors of the Company. As such, the fair value of financial asset at fair value through other comprehensive income (non-recycling) of Entity A as at 31 March 2020 ("**FVOCI in Entity A**") was estimated by the directors of the Company using the net asset value approach based on Entity A's unaudited management accounts as at 31 March 2020 and adjusted for the factors they considered might affect its fair value. The directors of the Company considered that the basis applied in the fair value assessment of the FVOCI in Entity A including the recognition of fair value loss of HK$841,762,000 represents their best estimate.

(c) The listed equity investment in the Philippines was stated at fair value based on quoted market price in active markets as at the end of each of the reporting periods.

(d) Before the deconsolidation of subsidiaries as detailed in note 1 to these consolidated financial statements, balance represented the Group's investment in wealth management products from financial institutions in the PRC. The fair values of such wealth management products have been determined in accordance with generally accepted pricing models based on a discounted cash flow analysis, with the most significant inputs being the discount rate that reflects the credit risk of counterparties.

14. FINANCE LEASE RECEIVABLES

	Minimum lease payments receivable		Present value of minimum lease payments receivable	
	2020	2019	**2020**	2019
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Finance lease receivables comprise:				
Within one year	**–**	531,948	**–**	461,560
In more than one year but not more than two years	**–**	524,442	**–**	493,712
	–	1,056,390	**–**	955,272
Less: Unearned finance lease income	**–**	(101,118)	**–**	–
	–	955,272	**–**	955,272
Less: Provision for impairment loss	**–**	(91,946)	**–**	(91,946)
Present value of minimum lease payments receivable	**–**	863,326	**–**	863,326

Analysed as:

	2020	2019
	HK$'000	*HK$'000*
Current finance lease receivables	**–**	383,263
Non-current finance lease receivables	**–**	480,063
	–	863,326

Note: The directors of the Company deconsolidated the finance lease receivables of the Deconsolidated Subsidiaries from the consolidated financial statements of the Group since 1 April 2019.

The movements in the provision for impairment loss of finance lease receivables are as follows:

	2020	2019
	HK$'000	*HK$'000*
At beginning of year	**91,946**	–
Effect arising from adoption of HKFRS 9	**–**	2,748
	91,946	2,748
Provision for impairment loss *(note 6)*	**–**	89,198
Deconsolidation of subsidiaries	**(91,946)**	–
At end of year	**–**	91,946

15. LOANS RECEIVABLE

	2020	2019
	HK$'000	*HK$'000*
Loans receivable	**2,104,185**	2,141,615
Less: Provision for impairment loss	**(1,961,145)**	(1,695,060)
	143,040	446,555

Loans receivable represented receivables arising from the provision of finance business of the Group, and bear interest at 8.5% per annum (2019: rates ranging from 8% to 18% per annum).

All the loans receivable as at 31 March 2020 and 2019 were unsecured.

An ageing analysis of loans receivable, determined based on the age of the loans receivable since the effective drawn down date of the loans, as at the end of the reporting period is as follows:

	2020	2019
	HK$'000	*HK$'000*
Within 90 days	**–**	10,638
Between 91 to 180 days	**–**	3,562
Between 181 days to one year	**–**	794,687
Over one year	**2,104,185**	1,332,728
	2,104,185	2,141,615

The movements in the provision for impairment loss of loans receivable are as follows:

	2020	2019
	HK$'000	*HK$'000*
At beginning of year	**1,695,060**	320,000
Effect arising from adoption of HKFRS 9	**–**	6,334
	1,695,060	326,334
Provision for impairment loss *(note 6)*	**266,085**	1,427,502
Reversal of provision for impairment loss *(note 6)*	**–**	(58,776)
At end of year	**1,961,145**	1,695,060

16. FACTORING RECEIVABLES

	2020	2019
	HK$'000	*HK$'000*
Factoring receivables	**299,079**	310,075
Less: Provision for impairment loss	**(299,079)**	(1,550)
	–	308,525

An ageing analysis of factoring receivables, determined based on the age of the factoring receivables since the effective drawn down date of the loans, as at the end of the reporting period is as follows:

	2020	2019
	HK$'000	*HK$'000*
Within 90 days	**–**	24,989
Between 91 to 180 days	**–**	–
Between 181 days to one year	**–**	193,877
Over one year	**299,079**	91,209
	299,079	310,075

The movements in the provision for impairment loss of factoring receivables are as follows:

	2020	2019
	HK$'000	*HK$'000*
At beginning of year	**1,550**	–
Effect arising from adoption of HKFRS 9	**–**	1,618
	1,550	1,618
Provision for impairment loss *(note 6)*	**297,529**	–
Reversal of provision for impairment loss *(note 6)*	**–**	(68)
At end of year	**299,079**	1,550

17. ACCOUNTS RECEIVABLE

	2020	2019
	HK$'000	*HK$'000*
Accounts receivable arising from the ordinary course of business of:		
– Dealing in securities:		
Margin clients	**173,821**	183,684
Clearing houses	**5,743**	19,047
– Insurance brokerage business	**223**	530
– Futures brokerage business	**–**	4,738
– Financial guarantee business	**–**	23,741
	179,787	231,740
Less: Provision for impairment loss	**(157,782)**	(157,973)
	22,005	73,767

The directors of the Company deconsolidated the accounts receivable of the Deconsolidated Subsidiaries from the consolidated financial statements of the Group since 1 April 2019.

The settlement terms of accounts receivable attributable to the dealing in securities transactions are two days after the trade date except for the balances with margin clients which are repayable on demand. The trading terms with customers of the insurance brokerage business are mainly on credit. The credit period for customers of insurance brokerage business is generally 30 days, extended up to 90 days for major customers. The settlement terms of accounts receivable attributable to dealing in futures transactions and financial guarantee business are repayable on demand and generally up to 12 months, respectively.

An ageing analysis of the accounts receivable as at the end of the reporting period, based on the trade date, is as follows:

	2020	2019
	HK$'000	*HK$'000*
Within 90 days	**17,760**	231,730
Between 91 to 180 days	**3**	10
Over one year	**162,024**	–
	179,787	231,740

The movements in the provision for impairment loss of accounts receivable are as follows:

	2020	2019
	HK$'000	*HK$'000*
At beginning of year	**157,973**	135,417
Effect arising from adoption of HKFRS 9	**–**	2,441
	157,973	137,858
Provision for impairment loss *(note 6)*	**1**	22,284
Reversal of provision for impairment loss *(note 6)*	**(192)**	(2,169)
At end of year	**157,782**	157,973

18. ACCOUNTS PAYABLE

The balances as at 31 March 2020, based on the trade date, were all aged within 90 days (2019: 90 days).

19. INTEREST-BEARING BORROWINGS

	2020	2019
	HK$'000	*HK$'000*
Non-current:		
Bank borrowings, unsecured	**–**	28,000
Other borrowings, unsecured	**30,000**	30,000
Total non-current borrowings	**30,000**	58,000
Current:		
Bank borrowings, secured	**–**	23,813
Bank borrowings, unsecured	**–**	15,000
Other borrowings, secured	**2,682,687**	1,301,943
Other borrowings, unsecured	**43,000**	–
Total current borrowings	**2,725,687**	1,340,756
Total borrowings	**2,755,687**	1,398,756

20. CONVERTIBLE INSTRUMENTS

All convertible instruments with outstanding principal amounts of US$99,000,000 (equivalent to approximately HK$772,200,000), HK$429,197,000 and HK$185,847,000 were classified as other secured borrowings under current liabilities upon expiry of the conversion options during the year ended 31 March 2020.

EXTRACT OF INDEPENDENT AUDITOR'S REPORT

The below sections set out an extract of the report by Crowe (HK) CPA Limited, the independent auditor of the Company, regarding the consolidated financial statements of the Group for the year ended 31 March 2020.

DISCLAIMER OF OPINION

We do not express an opinion on the consolidated financial statements of the Group. Because of the significance of the matters described in the Basis for Disclaimer of Opinion section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these consolidated financial statements. In all other respects, in our opinion the consolidated financial statements have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR DISCLAIMER OF OPINION

1. Deconsolidation of subsidiaries

As explained in note 2.1* to the consolidated financial statements, as a result of the resignation of certain senior management members of the Company and non-cooperation of the management of certain subsidiaries (the "**Deconsolidated Subsidiaries**"), the directors of the Company had been unable to obtain and gain access to the books and records and assets of the Deconsolidated Subsidiaries of the Company and had therefore resolved that the Group no longer had the controlling power to govern the financial and operating policies of the Deconsolidated Subsidiaries so as to benefit from their activities. Accordingly, the Deconsolidated Subsidiaries were deconsolidated from the consolidated financial statements of the Group from 1 April 2019 onwards. As a result of the circumstances described above, the directors of the Company have been unable to provide us with a complete set of accounting books and records of the Deconsolidated Subsidiaries. We have therefore been unable to carry out audit procedures to obtain sufficient reliable audit evidence to satisfy ourselves as to whether:

(i) the loss on deconsolidation of the subsidiaries of approximately HK$2,092,200,000 as disclosed in note 8 as well as the related disclosures set out in the notes to the consolidated financial statements* are free from material misstatement; and

(ii) the Group had lost its control over the Deconsolidated Subsidiaries.

Any adjustment that might have been found to be necessary in respect of the above may have a significant effect on the state of the Group's affairs as at 31 March 2020 and on its loss for the year ended 31 March 2020.

* *Being note 1 in this announcement*

2. Investments in associates

As explained in note 15* to the consolidated financial statements, there is no sufficient financial information of the associates available at the date of this report because the management of the associates refused to provide such required financial information to the Group. Based on assessment of the directors of the Company, the Group had fully impaired its investments in associates of HK$341,674,000 during the year ended 31 March 2020.

As (i) it was not practicable for an audit to be performed on the associates due to insufficient financial information and the non-cooperation of the associates' management; (ii) the audited result of the associates for the year ended 31 March 2020 have not been made available to us as at the date of this report; and (iii) the directors of the Company was also unable to provide us with adequate information in support of the impairment assessment of investments in associates, together with the basis and rationale of recognising the impairment loss of investments in associates of HK$341,674,000 for the year ended 31 March 2020, we were therefore unable to obtain sufficient appropriate audit evidence in relation to the estimate of (i) the Group's share of losses and other comprehensive income relating to investments in associates recognised in profit and loss and other comprehensive income for the year ended 31 March 2020; (ii) the carrying value of the Group's investments in associates as at 31 March 2020; (iii) the impairment loss of investments in associates for the year ended 31 March 2020; and (iv) the summarised financial information of associates disclosed in note 15*.

As a result, we were unable to determine whether adjustments might have been found to be necessary in respect of investments in associates, and the elements making up the consolidated statement of profit or loss, the consolidated statement of comprehensive income and the consolidated statement of changes in equity.

3. Investment in an unlisted equity investment

As explained in note 17# to the consolidated financial statements, the Group held a financial asset classified as at fair value through other comprehensive income (non-recycling) with respect to 19.06% equity interest in an investment holding company ("**Entity A**") as at 31 March 2020 ("**FVOCI in Entity A**"). A fair value loss of HK$841,762,000 have been recognised in the consolidated statement of comprehensive income during the year ended 31 March 2020 for FVOCI in Entity A.

In assessing the fair value of FVOCI in Entity A as at 31 March 2020, the directors of the Company adopted the net asset value ("**NAV**") approach based on Entity A's unaudited management accounts as at 31 March 2020 and adjusted for the factors they considered might affect its fair value to estimate its fair value as described in note 17# to the consolidated financial statements. The Group, however, is unable to obtain sufficient financial information of Entity A as at and for the year ended 31 March 2020 because of the non-cooperation of the management of Entity A.

* *Being note 12 in this announcement*

\# *Being note 13(b) in this announcement*

The directors of the Company considered that the basis applied in the fair value assessment of the FVOCI in Entity A and the recognition of a fair value loss of HK$841,762,000 represents their best estimate.

We were unable to obtain sufficient appropriate audit evidences we considered necessary to assess the appropriateness of the basis of valuation of the FVOCI in Entity A as at 31 March 2020 adopted by the directors of the Company, including access to the management of Entity A to assess the appropriateness and accuracy of the financial information, and to obtain the latest audited financial information of Entity A and reliable information to support the adjustments made to the net asset values of Entity A. There were no other satisfactory audit procedures that we could perform to determine whether any adjustments to the carrying value of the FVOCI in Entity A as at 31 March 2020 were necessary.

4. Multiple uncertainties relating to going concern

On 12 March 2019 and 10 April 2019, the Company received demand letters from lenders for the immediate repayment of outstanding principal amounts of approximately HK$783,747,000 and HK$429,197,000 respectively. On 26 April 2019, the Company received a notice of event of default from another lender intended to reserve its right to demand immediate repayment for borrowings with an outstanding principal amount of approximately HK$776,514,000 at 31 March 2019. On 10 May 2019, the Company received a notice of petition from one of the above lenders issued under the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong) from the High Court of the Hong Kong Special Administrative Region (the "**High Court**") that the Company be wound up by the High Court on the ground that the Company was insolvent and unable to pay its debts. In addition, on 10 June 2019, the Company received a notice of event of default and repayment from another lender for the immediate repayment of outstanding principal, together with accrued interest due totaling to approximately HK$718,436,000.

As at 31 March 2020, the Group had net current liabilities and net liabilities of approximately HK$3,019,459,000 and HK$2,331,231,000 respectively. During the year ended 31 March 2020, the Group incurred a loss attributable to owners of the Company of approximately HK$3,838,847,000.

These conditions indicate the existence of material uncertainties which may cast significant doubt about the ability of the Group to continue as a going concern.

The directors of the Company has been taking measures to improve the liquidity and solvency position of the Group. These measures include (i) identified an investor for putting forward a debt restructuring of the Company and provision of loans to the Company; (ii) put forward a debt restructuring plan to the creditors of the Company; (iii) speeding up the collection of receivables process; and (iv) tightening operating cash outflows through cutting costs and capital expenditures.

As at the date of approval of these financial statements, the implementations of these measures are still in progress. The validity of the going concern assumption on which the consolidated financial statements are prepared is dependent on the successful and favourable outcomes of the measures taken by the directors of the Company. The consolidated financial statements have been prepared on the assumption that the Group will continue as a going concern and, therefore, do not include any adjustments relating to the realisation and classification of non-current assets and non-current liabilities that may be necessary if the Group is unable to continue as a going concern. Should the going concern assumption be inappropriate, adjustments may have to be made to reflect the situation that assets may need to be realised at amounts other than those currently recorded in the consolidated statement of financial position. In addition, the Group may have to provide for further liabilities that might arise, and to reclassify non-current assets and non-current liabilities as current assets and current liabilities.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS AND FINANCIAL REVIEW

BUSINESS REVIEW

Freemen FinTech Corporation Limited (the "**Company**") is an investment holding company whose subsidiaries are principally engaged in the provision of financial services in Hong Kong and the People's Republic of China (the "**PRC**"). As at the date of this announcement, the Group continues to carry out, amongst others, (i) provision of securities and futures brokerage services; (ii) provision of placing, underwriting and margin financing services; and (iii) provision of insurance brokerage and financial planning services.

The consolidated net loss for the year ended 31 March 2020 (the "**Period**") of the Company and its subsidiaries (collectively referred to as the "**Group**") was HK$3,839 million (2019: HK$2,153 million). The consolidated net assets of the Group decreased from HK$3,126 million as at 31 March 2019 to net liabilities of HK$2,331 million as at 31 March 2020. The consolidated net loss was mainly attributable to (i) loss on deconsolidation of subsidiaries of HK$2,092 million; (ii) provision for impairment loss of loans receivable of HK$266 million; (iii) provision for impairment loss of factoring receivables of HK$298 million; (iv) impairment loss of investments in associates of HK$342 million; (v) finance costs of HK$696 million; and (vi) impairment loss of prepayments, deposits and other receivables of HK$46 million.

APPOINTMENT OF THE JOINT AND SEVERAL PROVISIONAL LIQUIDATORS AND WINDING-UP OF THE COMPANY

References are made to the announcements of the Company dated 14 May 2019, 27 February 2020, 28 February 2020, 6 April 2020, 27 May 2020, 27 August 2020, 27 November 2020 and 1 December 2020.

On 10 May 2019, the Petitioner filed the Petition against the Company with the High Court of Hong Kong.

On 27 February 2020, the Company received a Summons taken out by the Petitioner for the appointment of the joint and several provisional liquidators of the Company. At the direction of the High Court, the Summons was fixed for hearing before the High Court on 28 February 2020.

On 28 February 2020, the High Court ordered that Messrs. Lai Kar Yan (Derek) and Ho Kwok Leung Glen of Deloitte Touche Tohmatsu be appointed as provisional liquidators (the "**Provisional Liquidators**") of the Company with power to act jointly and severally until the determination of the Petition (or further order of the High Court). Pursuant to the PL Appointment Order, the Provisional Liquidators are empowered to, amongst others, take possession and control of assets of the Group, ascertain and investigate the affairs of the Group, and to carry on/close/cease the Group's business operations (in so far for the purpose of protecting the assets).

On 26 March 2020, upon application made by the Provisional Liquidators, the High Court granted an order to extend the Provisional Liquidators' power such that the Provisional Liquidators are empowered, inter alia, to consider and, if thought to be in the best interests of creditors of the Company, to enter into discussions and/or negotiations for and on behalf of the Company, for the purpose of, but not limited to, restructuring of the Company's business and operations, and/or restructuring or rescheduling the Company's indebtedness, or for the sale of its assets, provided that any such proposed restructuring, rescheduling or sale shall not be binding on the Company unless and until approved by the High Court.

On 4 November 2020, upon application made by the Provisional Liquidators, the Grant Court issued an order, which, among other things, recognised the PL Appointment Order and the Provisional Liquidators presenting and prosecuting a petition in the Grand Court in respect of the Scheme in furtherance of the proposed rescue and restructuring of the Company and its debts.

On 26 November 2020, the Provisional Liquidators and the Petitioner jointly applied to the High Court requesting to vacate the next adjourned hearing of the Petition to be fixed on 14 December 2020 and to adjourn it for 4 months to 19 April 2021. On 30 November 2020, the High Court has approved to adjourn the hearing of the Petition to 19 April 2021.

RESTRUCTURING OF THE COMPANY

References are made to the announcements of the Company dated 19 March 2020, 13 August 2020, 27 August 2020, 17 November 2020, 23 November 2020, 27 November 2020 and 30 December 2020.

Suspension of trading in shares of the Company

Trading in the shares of the Company on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") has been suspended with effect from 1:12 p.m. on 28 February 2020.

Resumption Guidance

On 19 March 2020, the Company received a letter from the Stock Exchange, in which, inter alia, the Stock Exchange set out the following Resumption Guidance for the Company:

1. demonstrate the Company's compliance with Rule 13.24 of the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**");

2. have the winding-up petition(s) withdrawn or dismissed and the joint and several provisional liquidators discharged; and

3. inform the market of all material information for the Company's shareholders and other investors to appraise the Group's position.

On 30 June 2020, the Company received a letter from the Stock Exchange, in which the Stock Exchange set out the following additional resumption guidance for the Company:

4. publish all outstanding financial results and address any audit modification(s).

Under Rule 6.01A(1) of the Listing Rules, it may cancel the listing of any securities that have been suspended from trading for a continuous period of 18 months. In the case of the Company, the 18-month period expires on 27 August 2021 (the "**Deadline**"). The Stock Exchange advised that if the Company fails to remedy the issues causing its trading suspension, fulfil the resumption guidance and fully comply with the Listing Rules to the Stock Exchange's satisfaction, the Listing Division will recommend the Listing Committee to proceed with the cancellation of the Company's listing. Under Rules 6.01 and 6.10 of the Listing Rules, the Stock Exchange also has the right to impose a shorter specific remedial period, where appropriate.

The Company will take appropriate steps to fully comply with the Listing Rules to the Stock Exchange's satisfaction in order to have trading in the Company's shares resumed. The Company will keep the public informed of developments in this regard by making further announcements as and when appropriate.

Proposed Restructuring of the Group

On 13 August 2020, the Company, the Provisional Liquidators and Radiant Alliance Limited (the "**Investor**") entered into the Term Sheet, setting out the key commercial terms of the proposed restructuring of the Company.

On 2 September 2020, the Provisional Liquidators obtained the sanction from the High Court for entering into, among others, the Term Sheet and all requisite agreements arising therefrom in order to implement the proposed Restructuring.

On 10 September 2020, the Company, the Provisional Liquidators and the Investor entered into the Restructuring Deed, pursuant to which the Company, the Provisional Liquidators and the Investor agreed on the principal terms of the Restructuring which shall include, among others, (a) the provision of the First Loan and the Second Loan by the Investor; (b) the Subscription; (c) the Share Premium Cancellation; (d) the Resumption; (e) if the Resumption is not approved by the Stock Exchange, the Acquisition; and (f) the Schemes.

The Investor is a limited liability company incorporated in the British Virgin Islands, which is wholly-owned by Divine Artemis Limited and is in turn wholly-owned by Dr. Cheng Chi-Kong, Adrian. Dr. Cheng is the executive vice-chairman and chief executive officer of New World Development Company Limited; executive director of NWS Holdings Limited, New World Department Store China Limited and Chow Tai Fook Jewellery Group Limited; and a non-executive director of Giordano International Limited and New Century Healthcare Holding Co. Limited, all being listed public companies in Hong Kong.

Pursuant to the First Loan Agreement, the Investor has paid HK$161,174,982, being an amount equivalent to the LC Agreed Consideration, to the Designated Account for the purpose of repayment to the LC Secured Lender upon all relevant conditions set out therein being satisfied.

On 21 October 2020, the Securities and Futures Commission (the "**SFC**") has approved the Investor to become a substantial shareholder of the Licensed Corporations.

As part of the Schemes, the Group will undergo a group reorganisation pursuant to which the Company will transfer all its right, title and interest in and to the Excluded Subsidiaries to a nominee of the Scheme Administrators at a nominal value. After such transfer, proceeds from the realisation of any existing assets of the Excluded Subsidiaries will be distributed for the benefit of the Scheme Creditors. Upon completion of the proposed Restructuring (subject to a number of conditions precedent being fulfilled or waived), the Retained Subsidiaries, namely Freeman Securities Limited, Freeman Commodities Limited, Freeman Corporate Finance Limited, Freeman Prestige Wealth Management Limited, People Securities Company Limited, Freeman Trustee Limited and the Turnbridge Companies will remain in the Retained Group.

Upon application of the Provisional Liquidators, the Grand Court and the High Court have both sanctioned the convening of the Scheme Meetings on 24 December 2020. The Scheme Meetings is fixed on 22 January 2021.

Upon Resumption, if so approved by the Stock Exchange, the Investor shall hold approximately 75% of the enlarged issued share capital of the Company upon completion of the First Loan Conversion, the Subscription, the issue of the Scheme Shares, the Placing Down and the Second Loan Conversion.

SUBSCRIPTION OF NEW SHARES UNDER GENERAL MANDATE

References are made to the announcements of the Company dated 9 June 2019 and 12 June 2019.

On 9 June 2019, the Company and Mr. Liang Yahong (the "**Subscriber**") entered into the Agreement under which the Company conditionally agreed to allot and issue and the Subscriber conditionally agreed to subscribe 300,000,000 new Shares at the Subscription Price of HK$0.145 per Share (the "**2019 Subscription**"). The gross proceeds from the 2019 Subscription are HK$43,500,000 and the net proceeds from which (after deducting estimated related expenses of approximately HK$0.5 million) are HK$43,000,000 which are intended to be applied for (i) repayment of interest under the Notes; and (ii) general working capital of the Group.

On 5 August 2019, an aggregate of 300,000,000 Shares were allotted and issued to the Subscriber at the Subscription Price of HK$0.145 per Share.

Pursuant to the announcement of the Company dated 5 August 2019, the shareholding structure of the Company immediately upon completion of the 2019 Subscription is as follows:

	Number of Shares	**Approximate percentage of shareholding**
Mr. Zhang Yongdong ("**Mr. Zhang**")	100,076,600	5.36%
Mr. Liang Yahong	300,000,000	16.06%
Public shareholders	1,468,099,588	78.58%
Total	**1,868,176,188**	**100.00%**

INVESTMENTS IN ASSOCIATES

As at 31 March 2020, the Group held investments in associates with no value as the financial information of all the associates for the year ended 31 March 2020 is not available to the Group (31 March 2019: HK$365 million), representing (i) 31.74% effective shareholding interests in Imagination Holding Limited ("**Imagination**"), (ii) 36.17% shareholding interests in Jocasta Ventures Ltd ("**Jocasta**"), and (iii) 31.38% shareholding interests in FreeOpt Holdings Limited ("**FreeOpt**").

Imagination is a company incorporated in the Republic of the Marshall Islands and an investment holding company. Its subsidiaries are principally engaged in the provision of money lending service and investment holding.

Jocasta is a company incorporated in the British Virgin Islands and an investment holding Company. Its subsidiary is principally engaged in the provision of money lending service. Based on the latest records obtained on 23 September 2020, the Group's shareholding interest was diluted to 28.13% subsequent to the reporting period ended 31 March 2020.

FreeOpt is a company incorporated in the Republic of the Marshall Islands and an investment holding company. Its subsidiaries are principally engaged in the provision of money lending service. Based on the latest records obtained on 23 September 2020, the Group's shareholding interest was diluted to 17.61% subsequent to the reporting period ended 31 March 2020.

As at 31 March 2019, the Group held 15% shareholding interest in Huiyue Financial Leasing (Ningbo) Co., Ltd.* (輝月融資租賃(寧波)有限公司) through Wins Finance Holdings Inc. ("**Wins Finance**"). As Wins Finance has been deconsolidated effective from 1 April 2019, no such investment was recorded during the year ended 31 March 2020.

OTHER FINANCIAL ASSETS

As at 31 March 2020, the Group recorded non-current other financial assets of HK$686 million (31 March 2019: HK$1,603 million), representing (i) an unlisted equity investment with 12.17% (31 March 2019: 12.17%) equity interest in Shengang Securities Company Limited (the "**Securities Company**"), a full-licensed securities company in China (Shanghai) Pilot Free Trade Zone of the Closer Economic Partnership Arrangement between Mainland China and Hong Kong of HK$660 million (31 March 2019: HK$732 million) (with an original investment cost of Renminbi ("**RMB**") 525 million as at the end of both reporting periods), representing 58.9% (31 March 2019: 12.0%) of the total assets of the Group of HK$1,120 million (31 March 2019: HK$6,079 million); and (ii) listed securities of The Philippine Stock Exchange, Inc. ("**PSE**", whose shares are listed on The Philippine Stock Exchange, Inc., symbol: PSE) with a carrying amount of HK$26 million (31 March 2019: HK$29 million) (with an original investment cost of Philippines Peso ("**PHP**") 252 million as at the end of both reporting periods), representing 2.3% (31 March 2019: 0.5%) of the total assets of the Group, representing 1.2% (31 March 2019: 1.2%) of PSE's total issued shares.

* *for identification purpose only*

i. Securities Company

The Securities Company is principally engaged in securities brokerage, securities underwriting and sponsoring, securities trading and securities asset management related businesses in China. Based on the audited financial statements of the Securities Company for the year ended 31 December 2019, the Securities Company recorded revenue of RMB785 million (equivalent to HK$890 million) (2018: RMB197 million (equivalent to HK$230 million)), net profit for the year of RMB75 million (equivalent to HK$82 million) (2018: loss of RMB375 million (equivalent to HK$439 million)), total assets of RMB9,475 million (equivalent to HK$10,587 million) (2018: RMB7,129 million (equivalent to HK$8,336 million)) and net assets of RMB4,076 million (equivalent to HK$4,555 million) (2018: RMB4,001 million (equivalent to HK$4,679 million)).

On 10 November 2020, Freeman Securities Limited ("**FSL**", an indirect wholly-owned subsidiary of the Company), the Provisional Liquidators, Jiangsu Shagang Group Company Limited (the "**SSCL Purchaser**") and Cheery Plus Limited entered into a term sheet, pursuant to which FSL conditionally agreed to sell, and the SSCL Purchaser conditionally agreed to acquire, 12.17% of shareholding interest in the Securities Company at the consideration of RMB600 million. The SSCL Purchaser has paid RMB90 million to the Provisional Liquidators as deposit. As at the date of this annual results announcement, the Securities Company did not have material impact on the earnings of the Group.

ii. PSE

PSE and its subsidiaries are principally engaged in the provision of trading, clearing, depository and information services for the equity market in the Philippines. The stock price of the listed securities of PSE as at 31 March 2020 amounted to PHP169 (equivalent to HK$26) per share (31 March 2019: PHP198 (equivalent to HK$29) per share). Based on the annual report of PSE for the financial year ended 31 December 2019, PSE and its subsidiaries recorded revenue of PHP1,291 million (equivalent to HK$196 million) (2018: PHP1,596 million (equivalent to HK$238 million)), profit for the year of PHP679 million (equivalent to HK$103 million) (2018: PHP727 million (equivalent to HK$108 million)) total assets of PHP6,289 million (equivalent to HK$966 million) (2018: PHP6,623 million (equivalent to HK$986 million)) and net assets of PHP4,817 million (equivalent to HK$740 million) (2018: PHP6,207 million (equivalent to HK$924 million)). As at the date of this annual results announcement, PSE did not have material impact on the earnings of the Group.

As at 31 March 2019, the Company had an unlisted equity investment with 19.06% equity interest in an investment holding Company ("**Entity A**") of HK$842 million, with an original investment cost of HK$600 million and represented 13.9% of the total asset of the Group. For the year ended 31 March 2020, due to the non-cooperation of the management of Entity A, the directors of the Company (the "**Directors**") had been unable to obtain and access to the books and records and no sufficient financial information of Entity A as at and for the year ended 31 March 2020 is available to the Directors. As a result, there was a fair value loss of investment in Entity A of HK$842 million for the year ended 31 March 2020.

INVESTMENT AT FAIR VALUE THROUGH PROFIT OR LOSS

Investment at fair value through profit of loss carries value less than 5% of the Group's net assets as at 31 March 2020 and 31 March 2019.

The Group recorded net unrealised loss of investments at fair value through profit or loss of HK$20 million (2019: HK$60 million) for the year.

The Group realised its investments in listed securities with a carrying value of HK$63,000 (31 March 2019: HK$405 million) for aggregate gross proceeds of HK$15,000 (31 March 2019: HK$121 million), resulting net realised losses of investments at fair value through profit or loss of HK$48,000 (31 March 2019: HK$283 million) for the current year.

FINANCIAL REVIEW

DECONSOLIDATION OF COMPANIES LOST CONTROL

Since the books and records of some of the Company's subsidiaries (i.e. Wins Finance and its subsidiaries) are not available to the Provisional Liquidators and the Directors, the Directors cannot ascertain the financial position of those subsidiaries after 31 March 2019. Together with the fact that the Company has lost control over those subsidiaries, the Directors are of the view that those subsidiaries should be deconsolidated from the Group with effect from 1 April 2019.

REVENUE AND PROFIT

For the year ended 31 March 2020, the Group's consolidated turnover was HK$69 million (2019: loss of HK$75 million), consolidated net loss was HK$3,839 million (2019: HK$2,153 million). The consolidated net loss was mainly attributable to (i) loss on deconsolidation of subsidiaries of HK$2,092 million; (ii) provision for impairment loss of loans receivable of HK$266 million; (iii) provision for impairment loss of factoring receivables of HK$298 million; (iv) impairment loss of investments in associates of HK$342 million; (v) finance costs of HK$696 million; and (vi) impairment loss of prepayments, deposits and other receivables of HK$46 million.

Interest income from provision of finance significantly decreased by 82.4% to HK$13 million as compared to HK$74 million in 2019 as the collectability of certain loans receivable were considered not probable and less interest income was recorded during the current year. Insurance brokerage income significantly decreased by approximately 58.8% to HK$7 million as compared to HK$17 million in 2019 due to the outbreak of COVID-19 and travel restrictions. There was no corporate finance advisory fee recorded for both years 2020 and 2019. Income from securities and futures brokerage, placing, underwriting and margin financing services was HK$49 million, representing a decrease of 26.9% as compared to HK$67 million in 2019 due to adverse publicity surrounding the Group. There is no commissions and fees from financial guarantee services, factoring interest income or finance lease interest income for the year as compared to HK$51 million in 2019.

The Group recorded provision for impairment loss of loans receivable of HK$266 million (2019: HK$1,369 million), provision for impairment loss of factoring receivables of HK$298 million (2019: reversal of HK$68,000), as the Directors are of the view that the collection of certain loans receivable and factoring receivables are not probable. Such provision amounts were based on the ageing of the overdue balances, borrowers' creditworthiness and historical write-off experience, and represented the allowance provided for the estimated loss arising from the inability of third party borrowers to make required repayments to the Group as at 31 March 2020. These third party borrowers are mainly individual borrowers located in the PRC. The Group continued to follow up with other third party borrowers including convening litigations and arranging settlements.

The provision for impairment loss of loans receivable of HK$266 million represented the allowance provided for the estimated loss in relation to certain third party borrowers that the Group believes will not be able to fully collect their overdue balances.

The provision for impairment loss of factoring receivables of HK$298 million represented the allowance provided for the estimated loss in relation to certain third parties that the Group has not received any repayment of the overdue factoring receivables.

The Group recorded loss on deconsolidation of subsidiaries of HK$2,092 million (2019: Nil) for the year as books and record could not be accessed and the Company has lost control of Wins Finance and its subsidiaries.

The Group recorded impairment loss of investments in associates of HK$342 million (2019: Nil) for the year based on the assessment of the Directors as the management of the associates refused to provided relevant required financial information to the Group and the Directors had been unable to obtain and access to relevant books and records for the year ended 31 March 2020.

Finance costs increased to HK$696 million as compared to HK$374 million in 2019 was mainly due to additional interest accrued due to default and cross-default on certain loans.

Other income and gains substantially decreased to HK$3 million for the year (2019: HK$112 million). During 2019, there were investment income on other financial assets of HK$96 million. No such income was recorded in 2020. The Group recorded a net unrealised loss on investments at fair value through profit or loss of HK$20 million for the year (2019: HK$60 million). No result has been shared from associates for the year (2019: shared profit of HK$40 million).

Cost saving is a continuous aim in monitoring daily operations by the Group. This year, general and administrative expenses amounted to HK$118 million, representing a decrease of 58.6% as compared to HK$285 million in 2019 which was mainly due to an decrease in staff costs and legal and professional fees. Total employee benefit expenses (excluding directors' remuneration) amounted to HK$43 million, representing a decrease of 35.8% as compared to HK$67 million in 2019 given that in 2019 there was an one-off equity-settled share option expense of HK$20 million and no such expense recorded in 2020. Legal and professional fees amounted to HK$18 million (2019: HK$27 million) were incurred for the year mainly for the Petition with details as stated under the paragraphs headed "Contingent Liabilities" and for the legal proceedings against certain borrowers and margin customers with overdue balances.

Net loss attributable to shareholders of the Company for the year was HK$3,839 million (2019: HK$2,160 million). Basic and diluted loss per share was HK$2.18 (2019: HK$1.38).

FINAL DIVIDEND

No dividend was declared during the year ended 31 March 2020 (2019: Nil).

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

As at 31 March 2020, the Group had total assets of HK$1,120 million (31 March 2019: HK$6,079 million) and total liabilities of HK$3,451 million (31 March 2019: HK$2,953 million). The net liabilities of the Group as at 31 March 2020 were HK$2,331 million (31 March 2019: net assets of HK$3,126 million). As at 31 March 2020, net current liabilities of the Group amounted to HK$3,019 million (31 March 2019: net current assets of HK$45 million) with cash and bank balances of HK$150 million (31 March 2019: HK$222 million) and the current ratio (current assets/current liabilities) was 0.12 (31 March 2019: 1.02). The Group had secured borrowings of HK$2,683 million (31 March 2019: HK$1,326 million), unsecured borrowings of HK$73 million (31 March 2019: HK$73 million) and no convertible instruments as at 31 March 2020 (31 March 2019: HK$1,348 million). Gearing ratio, calculated on the basis of the Group's interest-bearing borrowings and convertible instruments divided by the equity attributable to owners of the Company was 111.8% at 31 March 2019. Gearing ratio at 31 March 2020 is not available as the Group had deficit in its equities. The borrowings of the Group carried floating interest rates calculated by reference to the Hong Kong Dollar Prime Rate or lender's costs of funds were made in Hong Kong dollar and United States ("**US**") dollar. The Group is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to Hong Kong dollar and US dollar. As Hong Kong dollar is pegged to US dollar, the foreign exchange risk exposures are considered limited. The Group did not have any financial instruments used for hedging purpose.

As at 31 March 2020, the Company has no capital commitments (31 March 2019: HK$152 million). As at 31 March 2020, the Group had net deficiencies in assets of HK$2,331 million (31 March 2019: shareholders' fund of HK$2,457 million)

PLEDGE OF ASSETS

As at 31 March 2020, US$90 million (equivalent to HK$702 million) of interest-bearing borrowings were secured by the shares in the capital of certain wholly-owned subsidiaries of the Company, 20% (31 March 2019: 20%) equity interest of Wins Finance held by the Group, and personal guarantees given by Mr. Zhang and his spouse.

As at 31 March 2020, US$76 million (equivalent to HK$593 million) and HK$185 million of interest-bearing borrowings were secured by certain shares in the capital of a wholly-owned subsidiary of the Company, 17.26% (31 March 2019: 7.26%) equity interest of Wins Finance held by the Group, 63,660,000 shares of Pak Wing Group (Holdings) Limited (31 March 2019: Nil), certain shares held by Mr. Zhang and personal guarantees given by Mr. Zhang and his spouse.

As at 31 March 2020, US$99 million (equivalent to HK$772 million) of interest-bearing borrowings were secured by 30% equity interest of Wins Finance held by the Group (31 March 2019: 30%).

As at 31 March 2020, HK$429 million of interest-bearing borrowings were secured by 12.17% (31 March 2019: 12.17%) equity interest of the Securities Company held by the Group.

EVENTS AFTER THE REPORTING PERIOD

Proposed Restructuring

References are made to the announcements of the Company dated 13 August 2020, 27 August 2020, 17 November 2020, 23 November 2020, 27 November 2020 and 30 December 2020.

On 13 August 2020, the Company, the Provisional Liquidators and the Investor entered into the Term Sheet, setting out the key commercial terms of the proposed Restructuring of the Company.

On 10 September 2020, the Company, the Provisional Liquidators and the Investor entered into the Restructuring Deed, pursuant to which the Company, the Provisional Liquidators and the Investor agreed on the principal terms of the Restructuring which shall include, among others, (a) the provision of the First Loan and the Second Loan by the Investor; (b) the Subscription; (c) the Share Premium Cancellation; (d) the Resumption; (e) if the Resumption is not approved by the Stock Exchange, the Acquisition; and (f) the Schemes.

Pursuant to the First Loan Agreement, the Company has received HK$161,174,982 from the Investor, being an amount equivalent to the LC Agreed Consideration, to the Designated Account for the purpose of repayment to the LC Secured Lender upon all relevant conditions set out therein being satisfied.

On 21 October 2020, SFC has approved the Investor to become a substantial shareholder of the Licensed Corporations.

On 17 November 2020 and 18 December 2020, the Company, the Provisional Liquidators and the Investor entered into the first supplemental deed and the second supplemental deed respectively, pursuant to which the parties agreed to further amend the terms of the Restructuring Deed and/or the First Loan Agreement.

On 24 December 2020, upon application of the Provisional Liquidators, the High Court has approved the convening of the Scheme Meetings. The Scheme Meetings is fixed on 22 January 2021.

Others

(a) In March 2020, after the appointment of Provisional Liquidators to the Company, two of the key operating subsidiaries of the Group, namely FSL and Freeman Commodities Limited ("**FCL**") are facing practical difficulties and challenges in maintaining sufficient level of operations, primarily due to various restrictions imposed by and/or agreed with the Stock Exchange and/or the SFC on their business operations, which include, among others, (i) prohibiting FSL and FCL from on-boarding new clients; and (ii) restricting FCL from transacting on behalf of its clients trades over a certain level of volume by the Stock Exchange, etc.

    In or around November and December 2020, restriction (i) above has been uplifted and restriction (ii) above has been partially uplifted.

(b) On 21 September 2020, a wholly-owned subsidiary of the Company ("**Subsidiary A**") and an independent third party ("**Assignor A**") entered into a deed of assignment, pursuant to which, Subsidiary A agreed to sell certain loans receivable, and Assignor A agreed to purchase for a consideration of HK$143 million. On 29 October 2020, the full consideration amount was received.

(c) On 10 November 2020, FSL, the Provisional Liquidators, Jiangsu Shagang Group Company Limited (the "**SSCL Purchaser**") and Cheery Plus Limited entered into a term sheet, pursuant to which FSL conditionally agreed to sell, and the SSCL Purchaser conditionally agreed to acquire, 12.17% of shareholding interest in the Securities Company at the consideration of RMB600 million.

MATERIAL ACQUISITIONS/DISPOSALS

Save for the deconsolidation of the subsidiaries, the Group did not have any significant investments nor did it make any material acquisitions or disposals of subsidiaries and associates throughout the year ended 31 March 2020.

CAPITAL COMMITMENTS

As at 31 March 2020, the Group had no capital commitments (2019: HK$152 million).

CONTINGENT LIABILITIES

On 10 May 2019, the Petitioner filed the Winding-up Petition against the Company with the High Court. The next adjourned hearing is scheduled on 19 April 2021. As of the date of this annual results announcement, the amount of total loss is uncertain.

Save as disclosed elsewhere in this annual results announcement, the Group is not aware of other material contingent liabilities as at 31 March 2020.

EMPLOYEES' REMUNERATION POLICY AND RETIREMENT BENEFITS SCHEME

As at 31 March 2020, the Group employed 58 staff members including the Directors (2019: 117 staffs). Staff costs incurred for the year, including directors' remuneration, were HK$60 million (2019: HK$129 million). The Company has adopted a share option scheme and the Group operates a defined contribution Mandatory Provident Fund retirement benefits scheme under the Mandatory Provident Fund Schemes Ordinance for its employees. During the year ended 31 March 2020, no share options were granted or cancelled, 79,613,463 share options lapsed and none were exercised.

PROSPECTS

References are made to the announcements of the Company dated 17 November 2020, 23 November 2020 and 27 November 2020.

The Company has entered into a Restructuring Deed with the Investor where the principal terms of the Restructuring which shall include, among others, (a) the provision of the First Loan and the Second Loan by the Investor; (b) the Subscription; (c) the Share Premium Cancellation; (d) the Resumption; (e) if the Resumption is not approved by the Stock Exchange, the Acquisition; and (f) the Schemes.

Upon completion of the proposed Restructuring (subject to a number of conditions precedent being fulfilled or waived), the Company's right, title and interest in and to the Excluded Subsidiaries will be transferred to a nominee of the Scheme Administrators and the Excluded Subsidiaries will cease to be subsidiaries of the Company. All the claims against the Company by the creditors will be discharged and compromised in full, the financial and liquidity position of the Retained Group will be substantially improved.

The Directors are confident that upon completion of the proposed Restructuring, with the support from the Investor, the Retained Group's business will be improved and the Retained Group will have sufficient level of operation to maintain its listing status.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the year, neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the listed securities of the Company.

AUDIT COMMITTEE

The Company has an Audit Committee which comprises three Independent Non-executive Directors (the "**INEDs**"). Following the appointment of the Provisional Liquidators on 28 February 2020, (a) the powers of the Directors have been transferred to and assumed by the Provisional Liquidators; (b) the Provisional Liquidators have the power to authorise any Director as they think fit to assist them in managing the affairs of the Company and only the current executive Directors and non-executive Directors, namely Mr. Yau Pak Yue, Mr. Choi Wai Hong, Clifford, Ms. Ang Mei Lee Mary and Mr. Chung Wai Man have been so authorised; and (c) no current INEDs has been involved in any affairs of the Company, thus, the audit committee has not been maintained as required by the Listing Rules and has not reviewed the annual results. Appropriate personnel will be appointed as members of audit committee before the resumption of the trading in the shares of the Company on the Stock Exchange.

REVIEW OF THIS ANNUAL RESULTS ANNOUNCEMENT

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income, and the related notes thereto for the year ended 31 March 2020 as set out in the preliminary announcement have been agreed by the Company's auditor, Crowe (HK) CPA Limited, to the amounts set out in the Group's consolidated financial statements for the year ended 31 March 2020. The work performed by Crowe (HK) CPA Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Crowe (HK) CPA Limited on the preliminary announcement.

CORPORATE GOVERNANCE PRACTICES

The Company has adopted the code provisions of the Corporate Governance Code (the "**CG Code**") contained in Appendix 14 of the Listing Rules as its own code on corporate governance practices. During the reporting period, the Company appeared to comply, based on the information available to the Directors, with the Code Provisions as set out in the CG Code, except for the following:

– Code Provision A.6.7 of the CG Code – two INEDs were unable to attend the annual general meeting of the Company held on 9 September 2019 as they had other engagements.

– Section F of the CG Code – since the Company has no company secretary from 6 March 2020, the Company was unable to comply with relevant Code Provisions under Section F.

– Section L of the CG Code – Following the appointment of the Provisional Liquidators on 28 February 2020, (a) the powers of the Directors have been transferred to and assumed by the Provisional Liquidators; (b) the Provisional Liquidators have the power to authorise any Director as they think fit to assist them in managing the affairs of the Company and only the current executive Directors and non-executive Directors, namely Mr. Yau Pak Yue, Mr. Choi Wai Hong, Clifford, Ms. Ang Mei Lee Mary and Mr. Chung Wai Man have been so authorised; and (c) no current INEDs has been involved in any affairs of the Company, thus, the Audit Committee has not been maintained.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") set out in Appendix 10 to the Listing Rules as its own code of conduct regarding Directors' securities transactions. Having made specific enquiry with all Directors, the Company confirmed that throughout the Period, all Directors have complied with the required standards set out in the Model Code.

PUBLICATION OF FINANCIAL INFORMATION

This results announcement is published on the websites of the Stock Exchange (www.hkex.com.hk) and the Company (www.freeman279.com). The annual report will be despatched to the shareholders of the Company and available on the above websites in due course.

CONTINUED SUSPENSION OF TRADING

Trading in the Shares on the Stock Exchange has been suspended with effect from 1:12 p.m. on 28 February 2020 and will remain suspended pending fulfilment of the resumption conditions and such other further conditions that may be imposed by the Stock Exchange. The Company will keep the Shareholders and the public informed of the latest developments by making further announcement(s) as and when appropriate.

By Order of the Board
Freeman FinTech Corporation Limited
(Provisional Liquidators Appointed)
Choi Wai Hong, Clifford
Executive Director

Hong Kong, 6 January 2021

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

Executive Directors:
Mr. Choi Wai Hong, Clifford
Mr. Yau Pak Yue

Non-executive Directors:
Ms. Ang Mei Lee Mary
Mr. Chung Wai Man

Independent Non-executive Directors:
Mr. An Dong
Mr. Fung Tze Wa
Mr. Wu Keli