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## **FREEMAN FINTECH CORPORATION LIMITED**

### **民眾金融科技控股有限公司**

*(formerly known as Freeman Financial Corporation Limited 民眾金服控股有限公司)*

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

**(Stock Code: 279)**

## **INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2016**

### **INTERIM RESULTS**

The Board of Directors (the “Board”) of Freeman FinTech Corporation Limited (the “Company”) announces the unaudited condensed consolidated interim results of the Company and its subsidiaries (collectively, the “Group”) for the six months ended 30 September 2016 together with the unaudited comparative figures for 2015.

### **CONDENSED CONSOLIDATED INCOME STATEMENT**

*For the six months ended 30 September 2016*

		<b>For the six months ended</b>	
		<b>30 September</b>	
	<i>Notes</i>	<b>2016</b>	<b>2015</b>
		<b>(Unaudited)</b>	<b>(Unaudited)</b>
		<b>HK\$'000</b>	<b>HK\$'000</b>
<b>REVENUE</b>	3	<b>41,835</b>	(240,978)
Cost of sales		<b>(30,099)</b>	(21,009)
<b>Gross profit/(loss)</b>		<b>11,736</b>	(261,987)
Other income and gains	3	<b>153,909</b>	82,822
Fair value gains on investments at fair value through profit or loss, net		<b>129,961</b>	425,374
General and administrative expenses		<b>(39,247)</b>	(68,264)

		<b>For the six months ended</b>	
		<b>30 September</b>	
	<i>Notes</i>	<b>2016</b>	2015
		<b>(Unaudited)</b>	(Unaudited)
		<b>HK\$'000</b>	<b>HK\$'000</b>
Other expenses, net		<b>(959)</b>	(91,714)
Finance costs	4	<b>(5,635)</b>	(4,653)
Share of profits and losses of an associate and joint ventures		<b>(7,652)</b>	10,165
		<u>                    </u>	<u>                    </u>
<b>PROFIT BEFORE TAX</b>	5	<b>242,113</b>	91,743
Income tax credit	6	<b>4,097</b>	69
		<u>                    </u>	<u>                    </u>
<b>PROFIT FOR THE PERIOD</b>		<b>246,210</b>	91,812
		<u>                    </u>	<u>                    </u>
Attributable to:			
Owners of the Company		<b>246,210</b>	(152,178)
Non-controlling interests		<b>–</b>	243,990
		<u>                    </u>	<u>                    </u>
		<b>246,210</b>	91,812
		<u>                    </u>	<u>                    </u>
<b>EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY</b>	7		
Basic		<b>HK1.72 cents</b>	(HK1.47 cents)
		<u>                    </u>	<u>                    </u>
Diluted		<b>HK1.69 cents</b>	(HK1.47 cents)
		<u>                    </u>	<u>                    </u>

## CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 September 2016

	For the six months ended 30 September	
	2016	2015
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
<b>PROFIT FOR THE PERIOD</b>	<b>246,210</b>	<b>91,812</b>
<b>OTHER COMPREHENSIVE INCOME/(LOSS)</b>		
Other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods:		
Available-for-sale investments:		
Change in fair values	–	58,584
Reclassification of cumulative gains to the condensed consolidated income statement upon disposal	–	(80,601)
Share of other comprehensive loss of an associate and a joint venture, net	<b>(3,416)</b>	<b>(4,846)</b>
<b>OTHER COMPREHENSIVE LOSS FOR THE PERIOD, NET OF TAX</b>	<b>(3,416)</b>	<b>(26,863)</b>
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>	<b>242,794</b>	<b>64,949</b>
Attributable to:		
Owners of the Company	<b>242,794</b>	(170,348)
Non-controlling interests	–	235,297
	<b>242,794</b>	<b>64,949</b>

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

30 September 2016

	<i>Notes</i>	<b>30 September 2016 (Unaudited) HK\$'000</b>	31 March 2016 (Audited) HK\$'000
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment		1,843	1,419
Investment in an associate		698,014	707,309
Investment in a joint venture		133,776	129,951
Intangible assets		1,736	1,736
Available-for-sale investment		631,680	–
Loans receivable		–	1,374
Deposits		13,652	633,422
Deferred tax assets		118	119
Total non-current assets		<u>1,480,819</u>	<u>1,475,330</u>
<b>CURRENT ASSETS</b>			
Accounts receivable	9	287,589	336,213
Loans receivable		73,936	9,356
Prepayments, deposits and other receivables		100,547	68,913
Investments at fair value through profit or loss		1,612,215	1,235,102
Cash and bank balances		196,429	208,988
Total current assets		<u>2,270,716</u>	<u>1,858,572</u>
<b>CURRENT LIABILITIES</b>			
Accounts payable	10	25,376	21,811
Other payables and accruals		106,641	153,367
Interest-bearing other borrowings		269,730	71,378
Tax payable		8,327	8,307
Total current liabilities		<u>410,074</u>	<u>254,863</u>
<b>NET CURRENT ASSETS</b>		<u>1,860,642</u>	<u>1,603,709</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u>3,341,461</u>	<u>3,079,039</u>

	<b>30 September 2016 (Unaudited) HK\$'000</b>	31 March 2016 (Audited) HK\$'000
<b>NON-CURRENT LIABILITIES</b>		
Interest-bearing other borrowings	<b>30,000</b>	10,000
Deferred tax liability	–	4,125
	<hr/>	<hr/>
Total non-current liabilities	<b>30,000</b>	14,125
	<hr/>	<hr/>
Net assets	<b>3,311,461</b>	3,064,914
	<hr/> <hr/>	<hr/> <hr/>
<b>EQUITY</b>		
Issued capital	<b>14,324</b>	14,324
Reserves	<b>3,297,137</b>	3,050,590
	<hr/>	<hr/>
Total equity	<b>3,311,461</b>	3,064,914
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# NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 September 2016

## 1.1 BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 *Interim Financial Reporting* issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) and the applicable disclosure requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

The condensed consolidated financial statements do not include all the information and disclosures required in the annual consolidated financial statements, and should be read in conjunction with the Group’s annual consolidated financial statements for the year ended 31 March 2016.

## 1.2 SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted in the preparation of the condensed consolidated financial statements are consistent with those followed in the preparation of the Group’s annual consolidated financial statements for the year ended 31 March 2016, except for the adoption of the following revised Hong Kong Financial Reporting Standards (“HKFRSs”, which include all Hong Kong Financial Reporting Standards, HKASs and Interpretations) issued by the HKICPA, which are effective for the first time for the Group’s annual periods beginning on or after 1 April 2016.

Amendments to HKFRS 10, HKFRS 12 and HKAS 28 (2011)	<i>Investment Entities: Applying the Consolidation Exception</i>
Amendments to HKFRS 11 Amendments to HKAS 1	<i>Accounting for Acquisitions of Interests in Joint Operations Disclosure Initiative</i>
Amendments to HKAS 16 and HKAS 38	<i>Clarification of Acceptable Methods of Depreciation and Amortisation</i>
Amendments to HKAS 16 and HKAS 41	<i>Agriculture: Bearer Plants</i>
Amendments to HKAS 27 (2011) <i>Annual Improvements 2012-2014 Cycle</i>	<i>Equity Method in Separate Financial Statements Amendments to a number of HKFRSs</i>

The adoption of these revised HKFRSs has had no significant financial effect on these condensed consolidated financial statements.

## 2. 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) trading of securities and futures segment engages in the purchase and sale of securities and futures investments;
- (b) provision of finance segment engages in provision of financing services in Hong Kong;
- (c) insurance brokerage business segment engages in insurance brokerage business and provision of financial planning and related services;
- (d) securities and futures brokerage, placing, underwriting and margin financing in Hong Kong;
- (e) investment holding segment engages in holding investments for continuing strategic or long term purposes, primarily for their dividend income and capital appreciation; and
- (f) corporate finance advisory segment engages in provision of corporate finance advisory services and related activities.

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 profit before tax. The adjusted profit before tax is measured consistently with the Group's profit before tax except that bank and other interest income (excluding interest income from provision of finance and margin financing 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 third parties at the then prevailing market prices.

**For the six months ended 30 September 2016**

	Trading of securities and futures (Unaudited) HK\$'000	Provision of finance (Unaudited) HK\$'000	Insurance brokerage business (Unaudited) HK\$'000	Securities and futures brokerage, placing, underwriting and margin financing (Unaudited) HK\$'000	Investment holding (Unaudited) HK\$'000	Corporate finance advisory (Unaudited) HK\$'000	Total (Unaudited) HK\$'000
<b>Segment revenue:</b>							
Sales to external customers	(21,488)	3,313	25,662	34,348	-	-	41,835
Intersegment sales	-	-	-	-	-	-	-
	(21,488)	3,313	25,662	34,348	-	-	41,835
<i>Reconciliation:</i>							
Elimination of intersegment sales							-
Total revenue							<u>41,835</u>
<b>Segment results</b>	<b>103,048</b>	<b>515</b>	<b>1,887</b>	<b>21,715</b>	<b>135,899</b>	<b>(1)</b>	<b>263,063</b>
<i>Reconciliation:</i>							
Bank interest income							3
Other interest income							3
Corporate and other unallocated expenses							(15,321)
Finance costs							<u>(5,635)</u>
Profit before tax							<u>242,113</u>



**For the six months ended 30 September 2015**

	Trading of securities and futures (Unaudited) <i>HK\$'000</i>	Provision of finance (Unaudited) <i>HK\$'000</i>	Insurance brokerage business (Unaudited) <i>HK\$'000</i>	Securities and futures brokerage, placing, underwriting and margin financing (Unaudited) <i>HK\$'000</i>	Investment holding (Unaudited) <i>HK\$'000</i>	Corporate finance advisory (Unaudited) <i>HK\$'000</i>	Total (Unaudited) <i>HK\$'000</i>
<b>Segment revenue:</b>							
Sales to external customers	(325,490)	31,960	7,252	42,550	–	2,750	(240,978)
Intersegment sales	–	–	–	–	–	–	–
	(325,490)	31,960	7,252	42,550	–	2,750	(240,978)
<i>Reconciliation:</i>							
Elimination of intersegment sales							–
Total revenue							<u>(240,978)</u>
<b>Segment results</b>	80,217	29,313	581	22,064	(28,719)	2,749	106,205
<i>Reconciliation:</i>							
Bank interest income							1
Corporate and other unallocated expenses							(9,810)
Finance costs							<u>(4,653)</u>
Profit before tax							<u>91,743</u>

### 3. REVENUE, OTHER INCOME AND GAINS

Revenue represents interest income earned from provision of finance; dividend income from investments at fair value through profit or loss; net losses from the sale of investments at fair value through profit or loss; insurance brokerage income; corporate finance advisory fee; commission and brokerage income from securities and futures dealings; commission from underwriting and placing services; and interest income on margin financing activities during the period.

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

	<b>For the six months ended</b>	
	<b>30 September</b>	
	<b>2016</b>	2015
	<b>(Unaudited)</b>	(Unaudited)
	<b>HK\$'000</b>	HK\$'000
<b>Revenue</b>		
Interest income from provision of finance	3,313	31,960
Dividend income from investments at fair value through profit or loss	23,453	27,827
Losses from the sale of investments at fair value through profit or loss, net ( <i>note a</i> )	(44,941)	(353,317)
Insurance brokerage income	25,662	7,252
Corporate finance advisory fee	–	2,750
Commission and brokerage income from securities and futures dealings	11,192	3,810
Commission from underwriting and placing services	9,801	24,217
Interest income on margin financing activities	13,355	14,523
	<u>41,835</u>	<u>(240,978)</u>
<b>Other income and gains</b>		
Bank interest income	3	1
Other interest income	3	–
Gains on disposal of available-for-sale investments, net	–	80,601
Foreign exchange differences, net	1,257	–
Deemed gains on changes in shareholding interests in an associate and a joint venture, net	1,845	–
Forfeited income ( <i>note b</i> )	150,000	–
Others	801	2,220
	<u>153,909</u>	<u>82,822</u>

*Note a:* The gross proceeds from sale of investments at fair value through profit or loss for the period were approximately HK\$619,459,000 (period ended 30 September 2015: HK\$3,089,950,000).

*Note b:* The recognition of forfeited income is in relation to a proposed disposal of the entire interest in a wholly-owned subsidiary of the Company. Details are set out in the Company's announcements dated 10 March 2016 and 9 August 2016.

#### 4. FINANCE COSTS

An analysis of finance costs is as follows:

	<b>For the six months ended</b>	
	<b>30 September</b>	
	<b>2016</b>	2015
	<b>(Unaudited)</b>	(Unaudited)
	<b>HK\$'000</b>	HK\$'000
Interests on other borrowings	<b>5,635</b>	4,653
	<b><u>5,635</u></b>	<u>4,653</u>

#### 5. PROFIT BEFORE TAX

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

	<b>For the six months ended</b>	
	<b>30 September</b>	
	<b>2016</b>	2015
	<b>(Unaudited)</b>	(Unaudited)
	<b>HK\$'000</b>	HK\$'000
Employee benefit expenses (excluding directors' remuneration):		
Salaries and allowances	5,452	3,911
Retirement benefit scheme contributions (defined contribution schemes)	161	150
	<b><u>5,613</u></b>	<u>4,061</u>
Depreciation	536	2,057
Equity-settled share option expenses	–	23,082
Loss on disposal of subsidiaries*	959	–
Deemed losses/(gains) on changes in shareholding interests in an associate and joint ventures, net*	(1,845)	91,714
Forfeited income*	<b><u>(150,000)</u></b>	<u>–</u>

\* These gains and losses are included in "Other income and gains" and "Other expenses, net", respectively, in the condensed consolidated income statement.

## 6. INCOME TAX CREDIT

Hong Kong profits tax has been provided at the rate of 16.5% (period ended 30 September 2015: 16.5%) on the estimated assessable profits arising in Hong Kong during the six months ended 30 September 2016.

	For the six months ended	
	30 September	
	2016	2015
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Current – Hong Kong		
Charge for the period	27	–
Overprovision in prior years	–	(69)
Deferred	(4,124)	–
	<hr/>	<hr/>
Total tax credit for the period	<b>(4,097)</b>	<b>(69)</b>

## 7. EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY

### (a) Basic earnings/(loss) per share

The calculation of basic earnings/(loss) per share amount is based on the profit for the period attributable to ordinary equity holders of the Company of HK\$246,210,000 (period ended 30 September 2015: loss of HK\$152,178,000), and the weighted average number of ordinary shares of 14,324,137,300 (period ended 30 September 2015: 10,324,137,300) in issue during the period.

### (b) Diluted earnings/(loss) per share

The calculation of the diluted earnings per share amount is based on the profit for the period attributable to ordinary equity holders of the Company of HK\$246,210,000 (period ended 30 September 2015: loss of HK\$152,178,000). The weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during the period, as used in the basic earnings per share calculation, and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise or conversion of all dilutive potential ordinary shares into ordinary shares.

The calculation of diluted earnings per share for the period ended 30 September 2016 is based on:

	<b>Number of shares (Unaudited)</b>
<u>Shares</u>	
Weighted average number of ordinary shares in issue during the period used in the basic earnings per share calculation	<b>14,324,137,300</b>
Effect of dilution – weighted average number of ordinary shares:	
Warrants	<u><b>257,737,328</b></u>
Weighted average number of ordinary shares in issue during the period used in the diluted earnings per share calculation	<u><u><b>14,581,874,628</b></u></u>

No adjustment had been made to the basic loss per share amount presented for the period ended 30 September 2015 in respect of a dilution as the impact of the warrants and share options outstanding had an anti-dilutive effect on the basic loss per share amount presented, or the exercise price of outstanding warrants was higher than the average market price of the ordinary shares of the Company during the period and the warrants had no dilutive effect on the basic loss per share amount presented.

## **8. INTERIM DIVIDEND**

The directors of the Company do not recommend the payment of an interim dividend for the six months ended 30 September 2016 (period ended 30 September 2015: Nil).

## 9. ACCOUNTS RECEIVABLE

	<b>30 September 2016 (Unaudited) HK\$'000</b>	31 March 2016 (Audited) HK\$'000
Accounts receivable arising from the ordinary course of business of:		
– Dealing in securities:		
Margin clients	277,722	322,753
Clearing houses	5,970	–
– Insurance brokerage business	2,136	9,443
– Futures brokerage business	1,761	4,017
	<u>287,589</u>	<u>336,213</u>
	<b><u>287,589</u></b>	<b><u>336,213</u></b>

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 and cash clients which are repayable on demand. The trading terms with customers of the insurance brokerage businesses are mainly on credit. The credit period for customers of insurance brokerage businesses is generally 30 days, extending up to 90 days for major customers. The settlement terms of accounts receivable attributable to dealing in futures transactions are repayable on demand.

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

	<b>30 September 2016 (Unaudited) HK\$'000</b>	31 March 2016 (Audited) HK\$'000
Within 90 days	287,059	335,982
Between 91 to 180 days	60	231
Over 180 days	470	–
	<u>287,589</u>	<u>336,213</u>
	<b><u>287,589</u></b>	<b><u>336,213</u></b>

As at 30 September 2016, except for margin loans receivable of HK\$277,722,000 (31 March 2016: HK\$322,753,000) which were secured by underlying equity securities, the Group did not hold any collateral or other credit enhancements over these balances.

Accounts receivable as at 30 September 2016 and 31 March 2016 related to a number of independent clients that have a good track record with the Group and were not impaired. Based on past experience, the directors of the Company were of the opinion that no provision for impairment was necessary in respect of these balances as there had not been a significant change in credit quality and the balances were still considered fully recoverable as at 30 September 2016 and 31 March 2016.

## 10. ACCOUNTS PAYABLE

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

	<b>30 September 2016 (Unaudited) HK\$'000</b>	31 March 2016 (Audited) HK\$'000
Within 90 days	<b>24,909</b>	21,811
Between 91 to 180 days	<b>49</b>	–
Over 180 days	<b>418</b>	–
	<hr/> <b>25,376</b> <hr/>	<hr/> 21,811 <hr/>

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **INTERIM DIVIDEND**

The Directors do not recommend the payment of an interim dividend for the six months ended 30 September 2016 (30 September 2015: Nil).

### **BUSINESS REVIEW**

The Group's consolidated net profit for the period was HK\$246.2 million (30 September 2015: HK\$91.8 million). The consolidated net assets of the Group increased from HK\$3,064.9 million as at 31 March 2016 to HK\$3,311.5 million as at 30 September 2016. The consolidated net profit was mainly attributable to (i) net realised losses and net unrealised gains of investments at fair value through profit or loss of HK\$44.9 million and HK\$130.0 million, respectively; (ii) a decrease in dividend income from investments at fair value through profit or loss by HK\$4.3 million; and (iii) share of losses of an associate and joint ventures of HK\$7.7 million; and (iv) recognition of a forfeited income of HK\$150 million in relation to a proposed disposal of the entire interest in a wholly-owned subsidiary of the Company.

#### **Disposal of Smart Jump Group**

In March 2016, the Group and a wholly-owned subsidiary of Imagi International Holdings Limited (whose shares are listed on the main board of the Stock Exchange, stock code: 585) ("Imagi") entered into a sale and purchase agreement (the "Sale and Purchase Agreement with Imagi"), pursuant to which Imagi has conditionally agreed to purchase the entire issued share capital in Smart Jump Corporation at a total consideration of HK\$1,800 million (the "Disposal to Imagi"). Smart Jump Corporation and its subsidiaries (the "Smart Jump Group") are principally engaged in trading of securities. Subsequently in early August 2016, conditions precedent to the Sale and Purchase Agreement with Imagi became incapable of being fulfilled and the Disposal to Imagi lapsed. The parties to the Sale and Purchase Agreement with Imagi agreed to terminate the Sale and Purchase Agreement with Imagi in accordance with its terms. Accordingly, the Group recognised a forfeited income of HK\$150 million during the current period.

In August 2016, the Group and a non-wholly-owned subsidiary of Enerchina Holdings Limited (whose shares are listed on the main board of the Stock Exchange, stock code: 622) ("Enerchina") entered into another sale and purchase agreement (the "Sale and Purchase Agreement with Enerchina"), pursuant to which Enerchina has conditionally agreed to purchase the entire issued share capital in Smart Jump Corporation at a total consideration of HK\$1,295 million (the "Disposal to Enerchina"). The Disposal to Enerchina was approved by the shareholders of the Company (the "Shareholders") at the extraordinary general meeting held on 22 November 2016. As at the date of this announcement, the Disposal to Enerchina was not yet completed.



## **Change of Company Name**

In September 2016, the change of the English name of the Company from “Freeman Financial Corporation Limited” to “Freeman FinTech Corporation Limited” and change of dual foreign name of the Company from “民眾金服控股有限公司” to “民眾金融科技控股有限公司”, was approved by the Shareholders at the extraordinary general meeting held on 13 September 2016. A copy of the certificate of incorporation on change of name dated 13 September 2016 issued by the Registrar of Companies of the Cayman Islands was received by the Company on 21 September 2016. The Company completed the necessary filing procedures with the Companies Registry in Hong Kong and the registration of the new dual foreign name of the Company in Hong Kong under Part 16 of the Companies Ordinance (Chapter 622 of the Law of Hong Kong) was confirmed by the Registrar of Companies in Hong Kong. With effect from 20 October 2016, the shares of the Company was traded under the new stock short name “FREEMAN FINTECH” in English and “民眾金融科技” in Chinese, instead of “FREEMAN FIN” in English and “民眾金服” in Chinese, on the Stock Exchange.

## **First Warrants and Second Warrants**

As at 30 September 2016, the Company has 1,376,551,640 First Warrants and 688,275,820 Second Warrants outstanding. As a result of the issue of the Convertible Notes in March 2016, the First Subscription Price of the First Warrants was adjusted from HK\$0.43 per Share to HK\$0.382 per Share and the Second Subscription Price of the Second Warrants was adjusted from HK\$0.55 per Share to HK\$0.489 per Share. No First Warrants or Second Warrants were exercised by the warrant holders as at the date of this announcement.

Details in relation to placing of unlisted warrants with First Mandatory Exercise Rights under specific mandate and the placing of convertible notes under specific mandate and the capitalised terms in the above paragraph were set out in the Company’s circulars dated 9 June 2015 and 24 February 2016, respectively.

## **Investment in Shengang Securities Company Limited**

As at 30 September 2016, the Group paid RMB525 million (equivalent to approximately HK\$631.7 million) subscription price for subscription of 15% shareholding interest in Shengang Securities Company Limited (the “Securities Company”). The Securities Company has obtained a securities and futures business license from the China Securities Regulatory Commission on 10 October 2016. The Securities Company has formally commenced business in China (Shanghai) Pilot Free Trade Zone on 18 October 2016. The securities and futures business license allows the Securities Company to engage in securities broking, securities underwriting and sponsoring, securities trading and securities asset management related businesses in China. The commencement of business by the Securities Company is a new milestone for the Group in the business development of its financial services in China.

Details in relation to the Investment in Securities Company and the capitalised terms in the above paragraph were set out and defined in the announcements of the Company dated 12 November 2015, 2 December 2015, 3 December 2015, 16 March 2016, 31 March 2016, 1 April 2016 and 20 October 2016.

### **Acquisition of People Securities Company Limited**

In September 2016, the Group entered into a conditional agreement with an independent third party pursuant to which the Group agreed to purchase the entire issued share capital of People Securities Company Limited (“People Securities”), a Hong Kong private limited company which is a licensed corporation carrying out businesses in Type 1 (dealing in securities), 4 (advising on securities) and 9 (asset management) regulated activities under the Securities and Futures Ordinance (the “SFO”) and also a member of Professional Insurance Brokers Association of Hong Kong (the “Acquisition of People Securities”) at a total consideration of HK\$25 million aiming to create a one-stop financial conglomerate to provide a comprehensive range of financial services. As at the date of this announcement, the Acquisition of People Securities was not yet completed.

### **Acquisition of Elffey Finance Limited**

In September 2016, the Group entered into a conditional sale and purchase agreement with two independent third parties (the “Vendors”), pursuant to which the Vendors have agreed to sell and the Group has agreed to acquire the entire issued share capital of Elffey Finance Limited (“Elffey”) at a consideration of HK\$295 million (subject to adjustments) (the “Acquisition of Elffey”) aiming to provide the Company with a good business opportunity in the finance leasing and factoring development in China, and allowing the Company to enhance the overall competitiveness of the Group. The Acquisition of Elffey was completed in October 2016.

### **Investments at fair value through profit or loss**

As at 30 September 2016, the Group held investments at fair value through profit or loss of HK\$1,612.2 million (31 March 2016: HK\$1,235.1 million), representing approximately 48.7% (31 March 2016: 40.3%) of the Group’s net assets of HK\$3,311.5 million (31 March 2016: HK\$3,064.9 million). The Group held a diversified portfolio of listed investments throughout the period. As at 30 September 2016, the Group mainly held listed securities of below listed companies: (i) HengTen Networks Group Limited (“HengTen”, whose shares are listed on the main board of the Stock Exchange, stock code: 136) with a carrying value of HK\$708.9 million, representing approximately 21.4% of Group’s net assets and approximately 1.9% of HengTen’s total issued shares; and (ii) China All Access (Holdings) Limited (“All Access”, whose shares are listed on the main board of the Stock Exchange, stock code: 633) with a carrying value of HK\$405.4 million, representing approximately 12.2% of Group’s net assets and approximately 7.8% of All Access’s total issued shares.

HengTen and its subsidiaries are principally engaged in internet community services, investment and trading of securities, provision of finance, property investment and manufacture and sales of accessories for photographic and electrical products. All Access and its subsidiaries are principally engaged in the provision of communication application solutions and services and investment activities.

As at 31 March 2016, the Group mainly held listed securities of HengTen with a carrying value of HK\$761.0 million, representing approximately 24.8% of Group's net assets and approximately 2.8% of HengTen's total issued shares.

Other listed investments are individually carrying at value less than 5% of the Group's net assets as at 30 September 2016 and 31 March 2016.

The Group recorded net unrealised gains of investments at fair value through profit or loss of HK\$130.0 million (30 September 2015: HK\$425.4 million) for the period, of which included net unrealised gains of HK\$183.2 million (30 September 2015: HK\$431.6 million) for investments in listed securities of HengTen for the period.

In view of the stock market volatility and general trading sentiment since April 2016, the Group realised its investments in listed securities with a carrying value of HK\$664.4 million for aggregate gross proceeds of HK\$619.5 million, resulting net realised losses of investments at fair value through profit or loss of HK\$44.9 million for the current period. Of which included disposals of listed securities of HengTen at gross proceeds of HK\$353.0 million and net realised losses of HK\$32.5 million were recorded for the period. The proceeds from disposals of listed investments have been applied towards expansion of the Group's existing business lines and general working capital purposes.

For the period ended 30 September 2015, the Group also realised its investments in listed securities at market sentiment with a carrying value of HK\$3,443.3 million for aggregate gross proceeds of HK\$3,090.0 million, resulting net realised losses of investments at fair value through profit or loss of HK\$353.3 million.

The Group considers trading of securities is one of its core businesses and the Group will continue to take attentive approach on its future investments.

## FINANCIAL REVIEW

The Group resulted a gross profit for the current period of HK\$11.7 million (30 September 2015: a gross loss of HK\$262.0 million). It is mainly due to the net realised losses from the sales of investments at fair value through profit or loss of HK\$44.9 million (30 September 2015: HK\$353.3 million). Dividend income from investments at fair value through profit or loss decreased by approximately 15.5% to HK\$23.5 million as compared to HK\$27.8 million for the same period in 2015, which was mainly due to less dividends were received by the Group from listed securities. Interest income from provision of finance significantly decreased by approximately 89.7% to HK\$3.3 million as compared to HK\$32.0 million for the same period in 2015 as less loans were granted to customers during the current period. Insurance brokerage income and corporate finance advisory fee significantly increased by approximately 157.0% to HK\$25.7 million as compared to HK\$10.0 million in the same period in 2015 as the performance of the insurance brokerage segment improved its segment performance as a result of increase in customers' portfolio and there was no corporate finance advisory fee recorded for the current period. Income from securities and futures brokerage, placing, underwriting and margin financing service was HK\$34.3 million, representing a decrease of approximately 19.5% as compared to HK\$42.6 million for the same period in 2015 as the securities brokerage market remains competitive, resulting lesser brokerage income during the current period.

Other income and gains substantially increased to HK\$153.9 million for the current period (30 September 2015: HK\$82.8 million) which was mainly due to the recognition of forfeited income of HK\$150.0 million in relation to a proposed disposal of the entire interest in a wholly-owned subsidiary of the Company for the current period. Other expenses substantially decreased to HK\$1.0 million for the current period (30 September 2015: HK\$91.7 million) which was mainly due to the recognition of net deemed losses on changes in shareholding interests in an associate and a joint venture in 2015. The Group also recorded a significant net unrealised gains on investments at fair value through profit or loss of HK\$130.0 million for the current period (30 September 2015: HK\$425.4 million). The Group shared losses of HK\$7.7 million from an associate and joint ventures for the current period (30 September 2015: profits of HK\$10.2 million). Cost saving is a continuous aim in monitoring daily operations by the Group. During the current period, general and administrative expenses amounted to HK\$39.2 million, representing a decrease of approximately 42.6% as compared to HK\$68.3 million for the same period in 2015 which was mainly due to recognition of equity-settled share option expenses of HK\$23.1 million in 2015.

Net profit attributable to shareholders of the Company for the current period was HK\$246.2 million (30 September 2015: loss of HK\$152.2 million). Basic earnings per share was HK1.72 cents (30 September 2015: basic loss per share of HK1.47 cents) and diluted earnings per share was HK1.69 cents (30 September 2015: diluted loss per share of HK1.47 cents).

## **LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE**

As at 30 September 2016, net current assets of the Group amounted to HK\$1,860.6 million (31 March 2016: HK\$1,603.7 million) with cash and bank balances of HK\$196.4 million (31 March 2016: HK\$209.0 million) and the current ratio (current assets/current liabilities) was 5.5 (31 March 2016: 7.3). The Group had secured other borrowings of HK\$269.7 million (31 March 2016: HK\$71.4 million) and unsecured other borrowings of HK\$30.0 million (31 March 2016: HK\$10.0 million). Gearing ratio, calculated on the basis of the Group's interest-bearing borrowings divided by the equity attributable to owners of the Company was 9.1% (31 March 2016: 2.7%). The other 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. The Group's exposure to foreign exchange rate was minimal. The Group did not have any financial instruments used for hedging purpose.

The Group had no material capital commitment as at 30 September 2016 (31 March 2016: Nil). In light of the amount of liquid assets on hand and banking facilities available, the Directors are of the view that the Group has sufficient financial resources to meet its ongoing operational requirements. The Group's assets portfolio is mainly financed by its shareholders' funds. As at 30 September 2016, the Group had shareholders' funds of HK\$3,311.5 million (31 March 2016: HK\$3,064.9 million).

In May 2016, the Company issued two unsecured notes each with a principal amount of HK\$10 million to two independent third parties named Ms. Huang Gunyun and Mr. Wang Guiyu with interest bearing at 5% per annum payable annually in arrears for the Group's general working capital. Both notes are repayable in May 2023.

### **PLEDGE OF ASSETS**

As at 30 September 2016, investments at fair value through profit or loss of HK\$1,612.2 million (31 March 2016: HK\$1,235.1 million) were pledged to certain financial institutions to secure certain margin-financing facilities provided to the Group.

### **EVENTS AFTER THE REPORTING PERIOD**

As announced by the Company on 6 October 2016, a petition has been issued to certain directors of the Company. Further details are set out in the Company's announcement dated 6 October 2016.

Except as disclosed elsewhere in this announcement, the Group had no other significant events after the reporting period.

## **EMPLOYEES AND REMUNERATION POLICY**

As at 30 September 2016, the Group employed 52 staff members including directors of the Company. Staff costs incurred for the current period, including Directors' remuneration, was HK\$8.3 million (30 September 2015: HK\$13.5 million).

It is the remuneration policy of the Group to reward its employees with reference to their qualifications, experience and work performance as well as to market benchmarks. Remuneration packages, including the grant of share options, are structured to motivate individual performance and contributions to the Group. 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.

## **PROSPECTS**

The approval of the formation of the Securities Company by the China Securities Regulatory Commission and the Ministry of Commerce in the People's Republic of China in March 2016 has offered a golden opportunity for the Company to embark on a new milestone in its business development in financial services industry. With this investment, the Group has been offered a firststarter advantage to access to the huge and fast-growing financial markets in China which enabled the Group to engage in a full spectrum of securities and financial business in China. The Board believed that the Group would be significantly benefited from the expansion of its financial services in the new market.

In addition, the Group is in the process of acquiring a licensed corporation carrying out businesses in Type 1 (dealing in securities), 4 (advising on securities) and 9 (asset management) regulated activities under the SFO, which is also a member of Professional Insurance Brokers Association of Hong Kong, aiming to create a one-stop financial conglomerate to provide a comprehensive range of financial services and to enhance the overall competitiveness of the Group.

In the long run, the Group aims at extending its financial services businesses to Mainland China and will continue to pursue new opportunities in the financial services industry to enhance values to the Shareholders.



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

During the six months ended 30 September 2016, neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the listed securities of the Company.

## **AUDIT COMMITTEE**

The condensed consolidated results of the Company for the six months ended 30 September 2016 have not been audited, but have been reviewed by the Company's external auditors and the Audit Committee. The Audit Committee comprises four Independent Non-executive Directors. The primary duties of the Audit Committee are, amongst other matters, to communicate with the management of the Company; and to review the accounting principles and practices, risk management and internal control systems, interim and annual results of the Group.

## **CORPORATE GOVERNANCE PRACTICES**

The Company has adopted the code provisions of the Corporate Governance Code (the "CG Code") contained in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") as its own code on corporate governance practices. Save as disclosed below, in the opinion of the Directors, the Company has complied with the code provisions as set out in the CG Code and there have been no material deviations from the CG Code during the six months ended 30 September 2016:

Code Provision A.6.7 – (i) The Non-executive Director and one Executive Director were unable to attend the annual general meeting held on 7 September 2016 and the extraordinary general meetings held on 13 September 2016 and 22 November 2016; (ii) one Executive Director was unable to attend the annual general meeting held on 7 September 2016 and the extraordinary general meeting held on 22 November 2016; (iii) one Independent Non-executive Director was unable to attend the extraordinary general meetings held on 13 September 2016 and 22 November 2016; and (iv) one Independent Non-executive Director was unable to attend the extraordinary general meeting held on 22 November 2016, as they had other engagements.

## **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 of all Directors, the Company confirmed that in respect of the six months ended 30 September 2016, all Directors have complied with the required standard 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 Group's Interim Financial Report for 2016 will be despatched to the Shareholders and available on the above websites in due course.

By order of the Board  
**Freeman FinTech Corporation Limited**  
**Lo Kan Sun**  
*Chief Operating Officer*

Hong Kong, 30 November 2016

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

***Executive Directors:***

Mr. Lo Kan Sun (*Chief Operating Officer*)  
Mr. Hui Quincy Kwong Hei (*Managing Director*)  
Ms. Au Shuk Yee, Sue  
Ms. Chow Mun Yee  
Mr. Yang Haoying  
Mr. Wang Xiaodong  
Mr. Zhao Tong

***Non-executive Director:***

Mr. Zhang Yongdong (*Chairman*)

***Independent Non-executive Directors:***

Mr. Cheung Wing Ping  
Mr. Hung Cho Sing  
Dr. Agustin V. Que  
Mr. Wu Keli