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## **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)**

### **PLACING OF CONVERTIBLE NOTES UNDER SPECIFIC MANDATE**

**Placing Agent**

**FREEMAN SECURITIES LIMITED**

Reference is made to the announcements of the Company dated 12 November 2015, 2 December 2015 and 3 December 2015 (the “Announcements”) in relation to the proposed investment in the JV Securities Company. Terms as defined in the Announcements shall, unless otherwise stated, have the same meaning when used herein.

#### **PLACING AGREEMENT**

On 9 December 2015 (after trading hours), the Company entered into the Placing Agreement with the Placing Agent, pursuant to which the Placing Agent has conditionally agreed to procure, on a best effort basis, (i) not less than six independent Subscribers to subscribe for the Convertible Notes with an aggregate principal amount of HK\$1,050,000,000 due 15 December 2018 convertible into Shares at the initial Conversion Price of HK\$0.35 per Conversion Share (subject to adjustment).

Assuming the exercise in full of the conversion rights attaching to the Convertible Notes at the initial Conversion Price of HK\$0.35 per Conversion Share, a total of 3,000,000,000 Conversion Shares will be issued, representing approximately 29.06% of the existing issued share capital of the Company and approximately 22.52% of the issued share capital of the Company as enlarged by the issue of the Conversion Shares.

The estimated total net proceeds from the issue of the Convertible Notes will be approximately HK\$1,012,750,000, which is intended to be utilised financing the proposed investment in the JV Securities Company and the Group's general working capital requirements and any investment opportunities if arise.

## **GENERAL**

The Conversion Shares will be issued under the Specific Mandate to be sought at the EGM. Application will be made by the Company to the Listing Committee of the Stock Exchange for the grant of the listing of, and permission to deal in, the Conversion Shares.

The EGM will be convened and held for the purpose of considering and, if thought fit, approving, inter alia, the Placing Agreement and the transactions contemplated thereunder including the grant of the Specific Mandate.

## **LISTING RULES IMPLICATIONS**

A circular containing, among other things, further details of the Placing Agreement, the Convertible Notes, and the Specific Mandate, together with the notice of the EGM, will be despatched by the Company to the Shareholders as soon as possible in accordance with the Listing Rules.

**Completion of the Placing is subject to fulfillment of the conditions precedent under the Placing Agreement and the parties' rights to terminate under the terms and conditions of the Placing Agreement. Accordingly, the Placing may or may not proceed. Shareholders and potential investors are reminded to exercise caution when dealing in the Shares.**

## **THE PLACING AGREEMENT**

Pursuant to the Placing Agreement, the Placing Agent has conditionally agreed to procure during the Placing Period, on a best effort basis, Subscribers to subscribe for the Convertible Notes. Details of the Placing Agreement are set out below.

**Date:** 9 December 2015 (after trading hours)

**Issuer:** the Company

**Placing Agent:** Freeman Securities Limited, a wholly-owned subsidiary of the Company

**Placing Commission:** the Placing Agent will receive a placing commission of 3.5% of the amount equal to the aggregate principal amount of the Convertible Notes.

Such placing commission was arrived at after arm's length negotiations between the Company and the Placing Agent with reference to the prevailing market rate.

The Convertible Notes will be placed to not less than six Subscribers who (and whose ultimate beneficial owners) are third parties independent from and not connected with the Company and its associates and the Directors, chief executive or substantial Shareholder (as defined in the Listing Rules) of the Company or its subsidiaries or any of their respective associates.

### **Conditions Precedent**

Completion of the Placing Agreement is conditional upon:–

- (i) the approval by the Stock Exchange of the issue of the Convertible Notes;
- (ii) the Listing Committee of the Stock Exchange granting approval for the listing of and permission to deal in the Conversion Shares;
- (iii) the passing of resolution(s) by the Shareholders at the EGM to approve the Placing Agreement and the transactions contemplated thereunder including the grant of the Specific Mandate; and
- (iv) if applicable, the obtaining of all consents from government or regulatory authorities or third parties which are necessary in connection with the execution and performance of the Placing Agreement and any of the transaction contemplated thereunder.

If the conditions above are not fulfilled on or prior to 31 May 2016 (or such later date as may be agreed between the Placing Agent and the Company), the obligations of the parties under the Placing Agreement shall terminate and none of the parties to the Placing Agreement shall have any claim against the other for any costs or losses save for any prior breaches of the Placing Agreement.

### **Completion**

Completion of the Placing shall take place on or before the tenth Business Day following the satisfaction of the above conditions or such later date as the Placing Agent and the Company may agree.

## **Termination**

If at any time prior to 10:00 a.m. on the date of completion of the Placing, in the absolute opinion of the Placing Agent the success of the Placing or the business or financial prospects of the Group would or might be adversely affected by:–

- (i) the introduction of any new law or regulation or any change in existing laws or regulations (or the judicial interpretation thereof) or other occurrence of any nature whatsoever which may, in the absolute opinion of the Placing Agent, materially and adversely affect the business or the financial or trading position or prospects of the Company; or
- (ii) the occurrence of any local, national or international event or change (whether or not forming part of a series of events or changes occurring or continuing before and/or after the date of the Placing Agreement) of a political, military, financial, economic, currency (including a change in the system under which the value of the Hong Kong currency is linked to the currency of the United States of America) or other nature (whether or not sui generis with any of the foregoing), or in the nature of any local, national, international outbreak or escalation of hostilities or armed conflict, or affecting local securities market or the occurrence of any combination of circumstances which may, in the absolute opinion of the Placing Agent, materially and adversely affect the business or the financial or trading position or prospects of the Company or adversely prejudices the success of the Placing to potential investor(s) or otherwise makes it inexpedient or inadvisable for the Company or the Placing Agent to proceed with the Placing; or
- (iii) any change in market conditions or combination of circumstances in Hong Kong (including without limitation suspension or material restriction on trading in securities) occurs which affect the success of the Placing (such success being the completion of the Placing to potential investor(s)) or otherwise in the sole and absolute opinion of the Placing Agent make it inexpedient or inadvisable or inappropriate for the Company or the Placing Agent to proceed with the Placing; or
- (iv) the Company commits any material breach of or omits to observe any of the obligations or undertakings expressed or assumed under the Placing Agreement; or
- (v) the Placing Agent shall become aware of the fact that any of the representations or warranties contained in the Placing Agreement was, when given, untrue or inaccurate in any respect or would in any respect be untrue or inaccurate if repeated on the date of completion of the Placing Agreement, the Placing Agent shall determine in its absolute opinion that any such untrue representation or warranty represents or is likely to represent a material adverse change in the financial or trading position or prospects of the Company or will otherwise likely to have a material prejudicial effect on the Placing,

the Placing Agent may terminate the Placing Agreement without liability to the Company by giving notice in writing to the Company, provided that such notice is received prior to 10:00 a.m. on the completion date of the Placing.

In the event that the Placing Agent terminates the Placing Agreement, all obligations of each of the parties under the Placing Agreement shall cease and determine and no party to the Placing Agreement shall have any claim against any other party in respect of any matter arising out of or in connection with the Placing Agreement except for any breach arising prior to such termination.

**Completion of the Placing is subject to fulfillment of the conditions precedent under the Placing Agreement and the parties' rights to terminate under the terms and conditions of the Placing Agreement. Accordingly, the Placing may or may not proceed. Shareholders and potential investors are reminded to exercise caution when dealing in the Shares.**

## **PRINCIPAL TERMS OF THE CONVERTIBLE NOTES**

Principal amount	An aggregate principal amount of HK\$1,050,000,000
Issue Price	100% of the principal amount of the Convertible Notes. The issue price was determined by the Company based on the face value of the Convertible Notes
Form of the Convertible Notes and Denomination	In registered form and in denomination of HK\$5,000,000 each or integral multiples thereof
Interest Rate	6.75% per annum payable quarterly in arrears
Maturity Date	15th day of December 2018 or if that is not a Business Day, the first Business Day thereafter
Status	The Convertible Notes, when issued, will constitute general, unsecured and unsubordinated obligations of the Company and rank equally among themselves and pari passu with all other present and future unsecured and unsubordinated obligations of the Company except for obligations accorded by mandatory provisions of applicable law

Conversion Shares	Upon full conversion of the Convertible Notes at the Conversion Price of HK\$0.35, an aggregate of 3,000,000,000 Conversion Shares will be allotted and issued pursuant to the Convertible Notes Instrument. Such number of Conversion Shares represents approximately 29.06% of the issued share capital of the Company as at the date of this announcement and approximately 22.52% of the issued share capital of the Company as enlarged by the issue of the 3,000,000,000 Conversion Shares.
Conversion Restrictions	<p>(a) No conversion rights shall be exercised if as a result of such exercise, less than 25% of the Company's issued shares shall be held by the public.</p> <p>(b) If any exercise of conversion rights would result in an obligation under the Takeovers Code to make a general offer, Convertible Noteholders will be required to comply with such obligation.</p>
Conversion Price	HK\$0.35 per Conversion Share subject to adjustments as set out in the terms and conditions of the Convertible Notes Instrument
Adjustments to the Conversion Price	The Conversion Price of the Convertible Notes is subject to adjustments in certain events, including, among other things, share consolidation, share subdivision, capitalisation issue, capital distribution, rights issue and further issue of shares or convertible securities with conversion price less than the then market price provided that the Conversion Price shall not at any time fall below the par value of the Shares.
Ranking of Conversion Shares	The Conversion Shares shall rank pari passu in all respects with all other existing Shares outstanding at the conversion date and all Conversion Shares shall have the right to participate in all dividends and other distributions the record date of which falls on or after the conversion date.
Conversion period	The period commencing from the Issue Date up to the Maturity Date

## Redemption

### *Discharge on maturity*

In respect of the outstanding principal amount of the Convertible Notes not converted or redeemed prior to the Maturity Date, the Company shall make straight payment at a redemption amount equivalent to 100% of the said outstanding principal amount plus the outstanding accrued interest calculated at 6.75% per annum.

### *Redemption by the Convertible Noteholders*

Convertible Noteholders shall be entitled upon giving written notice to the Company, to require the Company to redeem all (but not part only) of the CBs at the Conversion Price within 10 days following the Company's receipt of the notice that the occurrence as stipulated in Clause 14.2 of the Promoters' Agreement for equivalent to 100% of the principal amount plus accrued and unpaid interest.

### *Redemption on default*

If any of the events default set out in the Convertible Notes Instrument occurs, Convertible Noteholders holding 51% or more of the outstanding Convertible Notes may by notice in writing to the Company declare that the redemption on default shall apply and then each Convertible Noteholder may, at its option, give a redemption notice in respect of all the Convertible Notes held by it to the Company whereupon the outstanding principal amount of such Convertible Notes shall become immediately due and payable at a redemption amount. Such events of default include (but are not limited to) (i) default of the Company to repay the principal or interest of the Convertible Notes or inability of the Company to pay its debts; (ii) material default of covenants or breach of warranties and undertakings under the Convertible Notes Instrument; (iii) winding-up, dissolution or insolvency of the Company; (iv) a receiver is appointed of the whole or major part of the Company's assets; (v) an action, condition or thing fails to be taken to enable the Company to perform or comply with the obligations set out in the Convertible Notes or (vi) the Company's Shares cease to be listed or are suspended from trading on stock exchange for a 60 consecutive trading days.

Mandatory Conversion Rights for the Company	Upon FSL being obligated to pay 90% of the subscription price pursuant to the Promoters' Agreement (the "Mandatory Conversion Event"), the Company shall have the mandatory conversion right (the "Mandatory Conversion Rights") to compel the Noteholders to convert the whole or part (in denominations of HK\$5,000,000 or its multiples) of the outstanding principal of the Convertible Notes into Conversion Shares at the Conversion Price in satisfaction of the outstanding principal amount of the Convertible Notes from time to time during the 90 days period commencing on the 1st day of occurrence of the Mandatory Conversion Event.
Listing	No application will be made for the listing of, or permission to deal in, the Convertible Notes on the Stock Exchange or any other stock exchange. Application will be made by the Company to the Stock Exchange for the listing of, and permission to deal in, the Conversion Shares.
Transferability of Convertible Notes	Convertible Notes shall be freely transferable.
Covenants	The Company's covenants include (but are not limited to) (i) the Company shall keep sufficient authorised share capital for issuance of Conversion Shares; (ii) the Company shall not make any redemption of share capital or share premium account except pursuant to the general mandate to repurchase Shares granted by the Shareholders; and (iii) the Company shall not modify the rights of the Shares or issue any other class of equity with more favorable terms than the Shares.

The Conversion Price of HK\$0.35 per Conversion Share represents:

- (i) a discount of approximately 25.7% over the closing price of HK\$0.47 per Share as quoted on the Stock Exchange on 9 December 2015, being the date of the Placing Agreement; and
- (ii) a discount of approximately 26.2% over the average closing price of approximately HK\$0.474 per Share for the last five consecutive trading days up to and including the date of the Placing Agreement.

The initial Conversion Price and the other terms of the Convertible Notes were determined after arm's length negotiations between the Company and the Placing Agent with reference to the prevailing market conditions and market price of the Shares.



## **INFORMATION OF THE COMPANY**

The Group is principally engaged in the financial services sector, including the provision of securities and futures brokerage services, the provision of insurance brokerage and financial planning services, the provision of corporate finance advisory services, the trading of securities, the provision of licensed lending business, as well as investment holding.

FSL is a company incorporated in Hong Kong with limited liability and a wholly-owned subsidiary of the Company. It is a licensed corporation within the meaning of the SFO and is licensed to carry out Type 1 (dealing in securities) regulated activity.

## **USE OF PROCEEDS AND REASONS FOR AND BENEFITS OF ISSUE OF CONVERTIBLE NOTES**

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

The gross proceeds from the issue of Convertible Notes will be approximately HK\$1,050,000,000. The net proceeds from the issue of Convertible Notes, after the deduction of related expenses, are estimated to be approximately HK\$ 1,012,750,000, representing net issue price of approximately HK\$0.338 per Conversion Share.

The Group intends to apply the net proceeds for payment of the subscription money in respect of the JV Securities Company which is approximately HK\$635,000,000 and as general working capital for the Group and also for future expansion and development of FCL Group's financial services and securities trading business.

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

## FUND RAISING ACTIVITIES OF THE COMPANY FOR THE PAST 12 MONTHS

Date of announcement	Fund raising activities	Net proceeds raised/to be raised (approximately)	Proposed use of the net proceeds	Actual use of proceeds
22 April 2015, 29 April 2015, 15 May 2015 and 8 June 2015	Placing of 1,376,551,640 unlisted warrants with mandatory exercise rights at HK\$0.43 per warrant share under specific mandate	(i) HK\$13.5 million raised from issue of warrants  (ii) HK\$574.2 million to be raised from issue of warrant shares	General working capital for the Group and also for future expansion and development of FCL Group's financial services and securities trading business	(i) Utilised as general working capital for the Group  (ii) Warrants not yet exercised by the warrant holders
13 May 2015 and 8 June 2015	Placing of 688,275,820 unlisted warrants with mandatory exercise rights at HK\$0.55 per warrant share under specific mandate	(i) HK\$6.6 million raised from issue of warrants  (ii) HK\$367.2 million to be raised from issue of warrant shares	General working capital for the Group and also for future expansion and development of FCL Group's financial services and securities trading business	(i) Utilised as general working capital for the Group  (ii) Warrants not yet exercised by the warrant holders

Save as disclosed above, the Company had not conducted any other fund raising activities in the past twelve immediately preceding the date of this announcement.

## EFFECT ON THE SHAREHOLDING STRUCTURE

The shareholding structure of the Company (i) as at the date of this announcement, and (ii) assuming full exercise of the conversion rights attached to the Convertible Notes at the initial Conversion Price of HK\$0.35 per Conversion Share and further assuming that no other Shares will be issued is as follows:

Name of Shareholders	As at the date of this Announcement		Immediately after completion of the Placing	
	No. of Shares	% (approx.)	No. of Shares	% (approx.)
<b>Substantial Shareholder</b> (as defined under the Listing Rules)				
Mr. Andrew Liu ( <i>Note 1</i> )	1,116,848,070	10.82%	1,116,848,070	8.38%
<b>Directors</b>				
Au Shuk Yee, Sue	7,375,320	0.07%	7,375,320	0.06%
Chow Mun Yee	6,048,000	0.06%	6,048,000	0.05%
<b>Public Shareholders</b>				
The Subscribers (upon full conversion of the Convertible Notes)	–	–	3,000,000,000	22.52%
Other public Shareholders	9,193,865,910	89.05%	9,193,865,910	69.00%
Total	<u>10,324,137,300</u>	<u>100.00</u>	<u>13,324,137,300</u>	<u>100.00</u>

*Note 1:* These Shares are held by Unitas Capital Strategic Partners I Limited, a company wholly-owned by Mr. Andrew Liu.

## GENERAL

The Conversion Shares will be issued under the Specific Mandate to be sought at the EGM. Applications will be made by the Company to the Listing Committee of the Stock Exchange for the grant of the listing of, and permission to deal in, the Conversion Shares.

The EGM will be convened and held for the purpose of considering and, if thought fit, approving, inter alia, the Placing Agreement and the transactions contemplated thereunder including the grant of the Specific Mandate.

## LISTING RULES IMPLICATIONS

No Shareholders are required to abstain from voting in respect of the resolution to approve the Placing Agreement and the transactions contemplated thereunder including the grant of the Specific Mandate.

A circular containing, among other things, further details of the Placing Agreement, the Convertible Notes and the Specific Mandate, together with the notice of the EGM, will be despatched by the Company to the Shareholders as soon as possible in accordance with the Listing Rules.

## **DEFINITIONS**

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

“associate(s)”	has the meaning ascribed thereto it under the Listing Rules;
“Board”	the board of Directors;
“Business Day”	any day (excluding Saturday, Sunday and public holiday) on which banks generally in Hong Kong are open for business;
“Company”	Freeman Financial Corporation Limited (Stock Code: 279), a company incorporated in the Cayman Islands with limited liability and the Shares of which are listed on the main board of the Stock Exchange;
“Convertible Note(s)”	unsecured convertible notes of an aggregate principal amount of HK\$1,050,000,000 constituted by the Convertible Notes Instrument to be issued by the Company;
“Convertible Noteholder(s)”	any person(s) who is/are for the time being the registered holder(s) of the Convertible Note(s);
“Convertible Notes Instrument”	the instrument constituting the Convertible Notes;
“Conversion Price”	HK\$0.35 per Conversion Share, subject to adjustment;
“Conversion Share(s)”	the Share(s) to be issued by the Company upon conversion of a Convertible Note;
“Directors”	directors of the Company from time to time;
“EGM”	the extraordinary general meeting of the Company to be convened and held for the Shareholders to consider and, if think fit, pass resolution(s) by the Shareholders to approve, inter alia, the Placing Agreement and the transactions contemplated thereunder including the grant of the Specific Mandate;

“Group”	the Company and its subsidiaries;
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong;
“Issue Date”	the date of issue of the Convertible Notes;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“Maturity Date”	15 December 2018 or, if that is not a Business Day, the first Business Day thereafter;
“Placing”	the placing of the Convertible Notes of the Company in accordance with the Placing Agreement;
“Placing Agent”	Freeman Securities Limited, a corporation licensed to carry out business in type 1 (dealing in securities) regulated activity under the Securities and Futures Ordinance;
“Placing Agreement”	the placing agreement dated 9 December 2015 entered into between the Company and the Placing Agent in relation to the placing of the Convertible Notes;
“Placing Period”	the period from (and including) the date of the Placing Agreement to (and including) the last Business Day before the expiry of a period of one month after the date of the EGM or such later date as maybe agreed between the Company and the Placing Agent;
“Share(s)”	ordinary share(s) of HK\$0.001 each in the share capital of the Company;
“Shareholder(s)”	holder(s) of the Shares;
“Specific Mandate”	a specific mandate to be sought from the Shareholders at the EGM to allot and issue the Conversion Shares;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Subscriber(s)”	independent individual, institutional or professional investor(s) procured by the Placing Agent to subscribe for the Convertible Notes;

“subsidiaries” has the meaning ascribed thereto it under the Listing Rules;  
“Takeovers Code” Hong Kong Code on Takeovers and Mergers; and  
“%” per cent.

By order of the Board  
**Freeman Financial Corporation Limited**  
**Lo Kan Sun**  
*Chairman*

Hong Kong, 9 December 2015

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

*Executive Directors:*

Mr. Lo Kan Sun (*Chairman*)  
Mr. Hui Quincy Kwong Hei (*Managing Director*)  
Ms. Au Shuk Yee, Sue  
Ms. Chow Mun Yee

*Independent Non-executive Directors:*

Mr. Cheung Wing Ping  
Mr. Chung Yuk Lun  
Mr. Hung Cho Sing  
Dr. Agustin V. Que