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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)

DISCLOSEABLE TRANSACTION IN RELATION TO ACQUISITION OF THE ENTIRE ISSUED SHARE CAPITAL OF ELFFEY FINANCE LIMITED

THE SALE AND PURCHASE AGREEMENT

The Board is pleased to announce that, after trading hours on 12 September 2016, the Purchaser (an indirect wholly-owned subsidiary of the Company) and the Vendors entered into a conditional Sale and Purchase Agreement, pursuant to which the Vendors have agreed to sell and the Purchaser has agreed to acquire the Sale Shares in the Target Company at the Consideration of HK\$295 million (subject to adjustments). The Target Group is principally engaged in the business of finance leasing and factoring in the PRC.

LISTING RULES IMPLICATION

As the relevant percentage ratio (as defined in the Listing Rules) in respect of the transaction(s) contemplated under the Sale and Purchase Agreement exceed 5% but less than 25%, the Acquisition constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules.

INTRODUCTION

The Board is pleased to announce that, after trading hours on 12 September 2016, the Purchaser and the Vendors entered into a conditional Sale and Purchase Agreement, pursuant to which the Vendors have agreed to sell and the Purchaser has agreed to acquire the Sale Shares at the Consideration of HK\$295 million (subject to adjustments).

THE SALE AND PURCHASE AGREEMENT

Date: 12 September 2016 (after trading hours)

Parties: (1) Vendors : The First Vendor and the Second Vendor
(2) Purchaser : FU Securities Limited, an indirect wholly-owned subsidiary of the Company

Both of the Vendors are investment holding companies incorporated in the British Virgin Islands with limited liability. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, each of the First Vendor, the Second Vendor and their ultimate beneficial owner(s) is an Independent Third Party.

Assets to be acquired

Pursuant to the Sale and Purchase Agreement, the Purchaser has agreed to acquire and the Vendors have agreed to sell the Sale Shares, which represent the entire issued share capital of the Target Company.

Consideration

The total Consideration for the Acquisition shall be HK\$295 million (subject to adjustments) payable by the Purchaser to the First Vendor and the Second Vendor in the sum of HK\$221.25 million and HK\$73.75 million for the First Sale Shares and the Second Sale Shares, respectively. The Consideration for the sale and purchase of the Sale Shares shall be satisfied by the Purchaser in the following manner:

- (i) as to HK\$37.5 million and HK\$12.5 million shall be payable by the Purchaser to the First Vendor and the Second Vendor, respectively, and the sums shall be paid to the Vendors' solicitors in cash within 5 Business Days from the Completion Date; and
- (ii) as to the balance of the Consideration shall be payable by the Purchaser to the First Vendor and the Second Vendor in the proportion of their respective Sale Shares, and the sums shall be paid to the Vendors' solicitors in cash within 30 Business Days from the Completion Date.

The Consideration was determined after arm's length negotiations between the Purchaser and the Vendors with reference to, among other things, the unaudited consolidated net asset value of the Target Group. The Board consider that the Consideration and the terms and conditions of the Acquisition to be fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

The Consideration will be satisfied by internal resources and credit facilities available to the Group.

Adjustments to the Consideration

As soon as practicable after the date of the Sale and Purchase Agreement, the Vendors shall prepare and deliver to the Purchaser the Completion Accounts, including a calculation of the net asset value as at 30 June 2016 (the “**Completion Net Asset Value**”).

Within 5 Business Days following the determination of the Completion Net Asset Value, if the Completion Net Asset Value is less than the Consideration, the Consideration shall be adjusted dollar for dollar and decreased by the amount of such deficit and the Vendors shall pay such amount to the Purchaser. If the Completion Net Asset Value exceeds the Consideration, there will not be any upward adjustments on the Consideration.

The payment of any adjustment of the Consideration payable by the Vendors to the Purchaser shall be deducted from the balance of the Consideration. In the event the payment of any adjustment to the Consideration exceeds the balance of the Consideration, the amount of such deficit shall be made on the same date the balance of the Consideration is to be paid by the Purchaser to the Vendors.

Conditions precedent

The Completion shall be conditional upon and subject to:

- (i) all necessary consents, licenses and approvals (including shareholders’ approval) required to be obtained on the part of the Vendors and the Target Group in respect of the Sale and Purchase Agreement and the transactions contemplated thereby having been obtained and remain in full force and effect;
- (ii) (if required) the passing of the necessary resolution(s) by the Shareholders (other than those, if any, required to abstain from voting pursuant to the Listing Rules) at general meeting to approve the entering into of the Sale and Purchase Agreement by the Purchaser and performance of the transactions contemplated thereunder;
- (iii) the warranties given by the Vendors under the Sale and Purchase Agreement remaining true and accurate in all respects;
- (iv) the Purchaser being satisfied that there has not been any Material Adverse Change in respect of any member of the Target Group since the date of the Sale and Purchase Agreement;

- (v) the Purchaser being satisfied with the results of the due diligence review to be conducted in relation to the Target Group;
- (vi) (if required) all requisite waivers, consents and approvals from any relevant governments or regulatory authorities of the PRC in connection with the transactions contemplated by the Sale and Purchase Agreement having been obtained, in particular, the approval issued by relevant approving authorities on sales and purchase of the Sale Shares;
- (vii) the Purchaser having received and satisfied (in substance and form) with a PRC legal opinion issued by a firm of lawyers qualified to practice in the PRC covering inter alia (i) the PRC Subsidiaries having been duly established and validly subsisting; and (ii) the PRC Subsidiaries having obtained all the licences and permits which are necessary for conducting the business of finance leasing and factoring and such licences and permits are in full force and effect; and
- (viii) the Purchaser having received the Completion Accounts.

All of the conditions are not waivable under the Sale and Purchase Agreement except (iii), (iv), (v), (vii) and (viii) which can be waived by the Purchaser at its absolute discretion. If the conditions have not been satisfied on or before the Long Stop Date, or such later date as the Vendors and the Purchaser may agree, the Sale and Purchase Agreement shall cease and determine, and thereafter neither party shall have any obligations and liabilities towards each other thereunder save for any antecedent breaches of the terms thereof.

Completion

Completion shall take place on or before 11:00 a.m. on the Completion Date when each of the parties shall comply with the terms and conditions as set out in the Sale and Purchase Agreement.

Upon Completion, the Target Company will be treated as a subsidiary of the Company and its results and net assets will be consolidated in the accounts of the Group.

INFORMATION ON THE TARGET GROUP

The Target Company is an investment holding company incorporated under the laws of the British Virgin Islands with limited liability. As at the date of this announcement, the Target Company directly owns the entire issued share capital of Elffey International Trading Co., Limited, an investment holding company incorporated in Hong Kong with limited liability. Elffey International Trading Co., Limited directly owns the entire equity interests of Zhonggang Ruixin and Zhonghui Yintong, both were incorporated in the PRC with limited liabilities. Zhonggang Ruixin and Zhonghui Yintong are principally engaged in finance leasing and factoring in the PRC, respectively.

The consolidated financial information of the Target Group for the six months ended 30 June 2016, and two financial years ended 31 December 2014 and 31 December 2015 are as follows:

	Year ended 31 December 2014 <i>(unaudited)</i> <i>HK\$'000</i>	Year ended 31 December 2015 <i>(unaudited)</i> <i>HK\$'000</i>	Six months ended 30 June 2016 <i>(unaudited)</i> <i>HK\$'000</i>
Results			
(Loss)/Profit before tax	(137)	6,755	5,462
(Loss)/Profit after tax	<u>(103)</u>	<u>4,994</u>	<u>5,266</u>
	As at 31 December 2014 <i>(unaudited)</i> <i>HK\$'000</i>	As at 31 December 2015 <i>(unaudited)</i> <i>HK\$'000</i>	As at 30 June 2016 <i>(unaudited)</i> <i>HK\$'000</i>
Assets and liabilities			
Total assets	704	470,255	302,973
Net (liabilities)/assets	<u>(103)</u>	<u>301,487</u>	<u>299,955</u>

REASONS FOR AND BENEFITS OF THE ACQUISITION

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

The Directors are of the view that the Acquisition will provide the Company with a good business opportunity in the finance leasing and factoring development in the PRC, and will allow the Company to enhance the overall competitiveness of the Group, thereby presenting opportunities for the Group's long term development. The Directors are of the view that the terms of the Sale and Purchase Agreement are fair and reasonable and in the interests of the Company and its Shareholders as a whole.

LISTING RULES IMPLICATION

As the relevant percentage ratio (as defined in the Listing Rules) in respect of the transaction(s) contemplated under the Sale and Purchase Agreement exceed 5% but less than 25%, the Acquisition constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules.

DEFINITIONS

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

“Acquisition”	the acquisition of the Sale Shares by the Purchaser pursuant to the Sale and Purchase Agreement
“Board”	board of the Directors
“Business Day(s)”	means any day (excluding a Saturday, Sunday and other public holidays) on which banks in Hong Kong are generally open for business throughout their normal business hours
“Company”	Freeman Financial Corporation Limited, a company incorporated in the Cayman Islands with limited liability and the issued Shares of which are listed on the main board of the Stock Exchange (stock code: 279)
“Completion”	completion of the Acquisition
“Completion Accounts”	the audited consolidated balance sheet of the Target Group as at 30 June 2016 and the audited consolidated income statement of the Target Group for the six months ended 30 June 2016, which shall be prepared in accordance with Hong Kong Financial Reporting Standards by a firm of auditors selected by the Purchaser
“Completion Date”	the date falling on the second Business Day after the day on which the last of the conditions precedent to be satisfied shall have been fulfilled or waived, but being not later than the Long Stop Date
“connected persons”	has the meaning ascribed thereto in the Listing Rules

“Consideration”	HK\$295 million (subject to adjustments) in respect of the Acquisition payable by the Purchaser pursuant to the Sale and Purchase Agreement
“Directors”	directors of the Company
“First Sale Shares”	the 30,000,075 ordinary shares of US\$1.00 each issued by the Target Company, representing 75% of the issued share capital of the Target Company
“First Vendor”	Roseate City Limited, a company incorporated in the British Virgin Islands with limited liability and an Independent Third Party, one of the vendors of the Acquisition
“Group”	the Company and its subsidiaries
“Hong Kong”	Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Third Party”	independent third party (parties) who is (are) not connected person(s) (as defined in the Listing Rules) of the Company and is (are) independent of and not connected with the connected persons of the Company
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Long Stop Date”	the day falling 120 days after the date of the Sale and Purchase Agreement, or such other date as may be agreed in writing by the parties to the Sale and Purchase Agreement
“Material Adverse Change”	any change (or effect) which has a material and adverse effect on the financial operation, business or property, results of operations
“Purchaser”	FU Securities Limited, a company incorporated in the British Virgin Islands with limited liability and an indirect wholly-owned subsidiary of the Company
“PRC”	The People’s Republic of China, which for the purpose of this announcement, excludes Hong Kong, Macau Special Administrative Region of the PRC and Taiwan

“PRC Subsidiaries”	together, Zhonggang Ruixin and Zhonghui Yintong
“Sale and Purchase Agreement”	the conditional sale and purchase agreement dated 12 September 2016 entered into between the Purchaser and the Vendors in relation to the Acquisition
“Sale Shares”	together, First Sale Shares and the Second Sale Shares
“Second Sale Shares”	the 10,000,025 ordinary shares of US\$1.00 each issued by the Target Company, representing 25% of the issued share capital of the Target Company
“Second Vendor”	Smart Generation Holdings Limited, a company incorporated in the British Virgin Islands with limited liability and an Independent Third Party, one of the vendors of the Acquisition
“Share(s)”	ordinary share(s) of HK\$0.001 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subsidiaries”	together, Elffey International Trading Co., Limited, Zhonggang Ruixin and Zhonghui Yintong
“Target Company”	Elffey Finance Limited, a company incorporated in the British Virgin Islands with limited liability
“Target Group”	together, the Target Company and the Subsidiaries
“Vendors”	together, the First Vendor and the Second Vendor
“Zhonggang Ruixin”	Qianhai Zhonggang Ruixin Finance Leasing (Shenzhen) Limited# (前海中港銳信融資租賃(深圳)有限公司), a company incorporated in the PRC with limited liability and an indirect wholly-owned subsidiary of the Target Company
“Zhonghui Yintong”	Tianjin Zhonghui Yintong Commercial Factoring Limited# (天津中慧銀通商業保理有限公司), a company incorporated in the PRC with limited liability and an indirect wholly-owned subsidiary of the Target Company

“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“US\$”	United States dollars, the lawful currency of the United States of America
“%”	per cent.

On behalf of the Board of
Freeman Financial Corporation Limited
Lo Kan Sun
Chief Operating Officer

Hong Kong, 12 September 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

Non-executive Director:

Mr. Zhang Yongdong (*Chairman*)

Independent Non-executive Directors:

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

The English translation of Chinese names or words in this announcement, where indicated, are included for information purpose only, and should not be regarded as the official English translation of such Chinese names or words.