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FREEMAN FINTECH CORPORATION LIMITED

民眾金融科技控股有限公司

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 279)

ISSUE OF SECURED GUARANTEED CONVERTIBLE NOTES UNDER GENERAL MANDATE

THE NOTE PURCHASE AGREEMENT

On 4 September 2018 (after trading hours), the Company together with the HK Subsidiary entered into the Note Purchase Agreement with the Investor, in relation to the issue of the Convertible Notes in the principal amount of HK\$185,847,419 with Conversion Rights to convert the principal amount thereof into the Shares at the Conversion Price of HK\$0.088.

Assuming the exercise in full of the Conversion Rights attaching to the Convertible Notes at the initial Conversion Price of HK\$0.088 per Conversion Share, a total of 2,111,902,494 Conversion Shares will be issued, representing approximately 13.47% of the existing issued share capital of the Company and approximately 11.87% of the issued share capital of the Company as enlarged by the issue of the Conversion Shares.

The gross proceeds from the issue of the Convertible Notes will be HK\$185,847,419. The net proceeds from the issue of the Convertible Notes, after the deduction of related expenses payable by the Company in connection with the issue of the Convertible Notes, are estimated to be approximately HK\$184,847,419. The net price per Conversion Share based on the above net proceeds is approximately HK\$0.088. The Company intends to apply the proceeds for repayment of part of the principal amount of the Promissory Note due 2020 in the amount equals to US\$23,826,592.

GENERAL

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

Closing of the issue of the Convertible Notes is subject to fulfillment of the conditions precedent under the Note Purchase Agreement. Accordingly, the issue of the Convertible Notes may or may not proceed. Shareholders and potential investors are advised to exercise caution when dealing in the securities of the Company.

THE NOTE PURCHASE AGREEMENT

Pursuant to the Note Purchase Agreement, the Company has conditionally agreed to issue, and the Investor has conditionally agreed to purchase for, the Convertible Notes. Details of the Note Purchase Agreement are set out below.

Date: 4 September 2018 (after trading hours)

Parties: (i) the Company, as issuer;

(ii) HK Subsidiary; and

(iii) Prosper Talent Limited, as investor.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, the Investor and its ultimate beneficial owner(s) are third parties independent of the Company and the connected persons of the Company.

Convertible Notes

The Company agreed to issue and sell to the Investor, and the Investor agreed to purchase from the Company, on the Closing Date, the Convertible Notes in an aggregate principal amount of HK\$185,847,419. The Company intends to apply the proceeds for repayment of part of the principal amount of the Promissory Note due 2020 in the amount equals to US\$23,826,592, the material terms of the Promissory Note due 2020 are set out below:

Terms of the Promissory Note due 2020

Issuer	:	The Company
Original principal amount	:	US\$70,000,000
Maturity date	:	29 March 2020
Interest	:	7% per annum payable in arrears semi-annually
Transferability	:	The Promissory Note due 2020 is freely transferrable (in whole or in part) by the holder subject to compliance with all applicable law. No consent of the Company is required for any transfer of the Promissory Note due 2020

Conditions Precedent

The obligation of the Investor to purchase the Convertible Notes is subject to the fulfillment of, amongst other things, the following conditions (any or all of such conditions may be waived by the Investor) at or prior to the closing:–

- (i) **No suspension of trading:** The current listing of the Shares not having been cancelled or withdrawn, the Shares continuing to be traded on the Stock Exchange at all times from the date thereof to and including the Closing Date (save for any temporary suspension of trading for not more than three (3) consecutive Business Days pursuant to the Listing Rules which is for the purpose of publishing announcement in relation to any proposed acquisition, reorganization or such other similar activities in the ordinary course of business of the Company);
- (ii) **Stock Exchange requirements:** All requirements, if any, imposed by the Stock Exchange, including without limitation, approval by the listing committee of the Stock Exchange to the listing of, and the permission to deal in, the Conversion Shares to be issued under the General Mandate, in connection with the contemplated transactions under the Transaction Documents, have been complied with in full;
- (iii) **Representations and warranties:** The warranties given by each of the Company and the HK Subsidiary shall be true, correct, accurate, complete and not misleading when made, and shall continue to be true, correct, accurate, complete and not misleading up to the Closing Date with the same force and effect as if they had been repeated throughout the period between the signing thereof and the Closing Date and on and as of the Closing Date, or as of another date if any representations and warranties are made with respect to such other date;

- (iv) **Proceedings and documents:** All corporate and other proceedings in connection with the transactions contemplated under the Transaction Documents on the Closing Date shall have been completed and all documents and instruments incidental to such transactions shall be in such form and substance satisfactory to the Investor, and the Investor shall have received all copies of such documents as it may request;
- (v) **No restraints:** There being no injunction, restraining order or other order or any other legal or regulatory restraint or prohibition having been issued or made by any court of competent jurisdiction or governmental authority in effect precluding or prohibiting consummation of any part of the transactions contemplated under the Transaction Documents;
- (vi) **No material adverse change:** There shall not, since the date of the Note Purchase Agreement, have been any change to the condition (financial or otherwise), results of operations, assets, regulatory status, business and prospects of the Group or the financial markets or economic conditions in general that, in the opinion of the Investor, has had or could be expected to have a material adverse effect; and
- (vii) **Due diligence:** The Investor, in its sole opinion, is satisfied with the results of the due diligence in relation to the know your customer and anti-money laundering, regulatory and legal aspects of, amongst other things, the Company and its subsidiaries.

Each of the Company and the HK Subsidiary shall procure the fulfillment of all the conditions set out in the Note Purchase Agreement as soon as is reasonably practicable after the date of the Note Purchase Agreement and in any event no later than 31 October 2018 (or such other date as mutually agreed by the Investor and the Company) (the “**Long Stop Date**”). If the conditions above are not either fulfilled or waived by the Investor on or before the Long Stop Date, the Investor may, at its option, without prejudice to its rights thereunder and under applicable laws: (i) defer the closing to a later date; (ii) proceed to the closing in respect of the issue and purchase of the Convertible Notes so far as practicable but subject to such conditions as the Investor may determine at its sole discretion; or (iii) terminate the Note Purchase Agreement in accordance with the terms and conditions thereof.

Closing

Closing of the issue and purchase of the Convertible Notes shall take place no later than three (3) Business Days after the fulfillment or waiver of the conditions precedent under the Note Purchase Agreement, or such other date as the Company and the Investor may agree in writing (the “**Closing Date**”).

General Mandate

The Company will allot and issue the Conversion Shares under the General Mandate granted to the Board pursuant to a resolution passed by the Shareholders at the annual general meeting of the Company held on 5 September 2017. Under the General Mandate, the Company is authorized to allot and otherwise deal with new Shares (including the issue of any securities convertible into Shares, or options, warrants or similar rights to subscribe for any Shares) of up to 20% of the then issued share capital of the Company as at the date of the aforesaid annual general meeting, which amounts to 3,140,137,788 new Shares.

As at the date of this announcement, save for the allotment and issue of a total of 1,028,235,294 conversion shares based on the conversion price of HK\$0.425 pursuant to the subscription agreement in August 2017 as disclosed in the announcements of the Company dated 24 August 2017 and 12 September 2017, the General Mandate has not been utilized since it was granted. Therefore, the Company may further allot 2,111,902,494 new Shares under the General Mandate. Accordingly, no Shareholders' approval is required for the issue of Conversion Shares.

PRINCIPAL TERMS OF THE CONVERTIBLE NOTES

Principal Amount	An aggregate principal amount of HK\$185,847,419
Issue Price	100% of the principal amount of the Convertible Notes
Form of the Convertible Notes and Denomination	The Convertible Notes are issued in registered form of an amount of a minimum of HK\$500,000 and integral multiples thereof
Interest Rate	7% per annum payable in arrears semi-annually
Maturity Date (the “ Maturity Date ”)	29 March 2020, and at any time after the issue date of the certificate of the Convertible Notes (“ Issue Date ”), upon a request in writing made by the Company to the Convertible Notes Holders not later than 45 days prior to the Maturity Date and subject to (i) the mutual agreement between the Company and the Convertible Notes Holders with respect to the interest rate of the Convertible Notes for the term to be extended; and (ii) the consent in writing of the Convertible Notes Holders (as their sole and absolute discretion and subject to their internal approval), the term of the Convertible Notes should be extended such that the term “ Maturity Date ” shall mean 29 March 2021

Status	The Convertible Notes, when issued, shall constitute direct, unconditional, unsubordinated and secured obligations of the Company and shall at least rank pari passu and without any preference or priority among themselves
Security	<p>The Company shall enter into, or procure the relevant party(ies) to enter into, the following documents:</p> <p>(a) the deed of share mortgage to be entered into between the BVI Subsidiary as mortgagor and the Investor as mortgagee pursuant to which the BVI Subsidiary will charge all of the issued shares in the HK Subsidiary in favour of the Investor on or prior to the Closing Date (the “Share Mortgage”);</p> <p>(b) the deed of share charge to be entered into between Spectacular Bid as chargor and the Investor as chargee on or prior to the Closing Date pursuant to which Spectacular Bid will charge at least 1,440,000 issued shares in Wins Finance Holdings Inc. in favour of the Investor (the “Wins Share Charge”); and</p> <p>(c) the deed of share charge to be entered into between Galaxy Strategic as chargor and the Investor as chargee on or prior to the Closing Date, pursuant to which Galaxy Strategic agreed to charge at least 900,000,000 issued Shares in favour of the Investor (the “Freeman Share Charge”) (the Share Mortgage, the Wins Share Charge and the Freeman Share Charge are collectively referred to as the “Security Documents”)</p>
Guarantee	The Convertible Notes will be guaranteed by Mr. Zhang Yongdong, the substantial shareholder of the Company
Conversion Shares	The Share(s) to be issued by the Company upon exercise of the Conversion Rights on conversion of the principal amount of the Convertible Notes pursuant to the terms of the Convertible Notes Instrument
Conversion Price	HK\$0.088 per Conversion Share subject to any adjustment, from time to time, as set out in the terms and conditions of the Convertible Notes Instrument

Conversion Period (the “ Conversion Period ”)	The period beginning on and including the 180th day after the Issue Date, and ending on and including 5:00 p.m. on the Maturity Date, and if the last day of the Conversion Period would otherwise be a day which is not a Business Day, the last day of the Conversion Period shall be the immediately preceding Business Day
Conversion Rights (the “ Conversion Rights ”)	Each Convertible Notes Holder has the right to convert the principal amount of the Convertible Notes but in no event less than HK\$500,000 into the Conversion Shares at any time during the Conversion Period
Conversion Restrictions	The Convertible Notes Holders shall have no right to exercise, and shall not exercise, any Conversion Rights if, as a result of such exercise, the Company will be in breach of the minimum public floating requirements under Rule 8.08 of the Listing Rules or other relevant requirements under the Listing Rules immediately after the relevant exercise of Conversion Rights and in such case, the Company shall disregard (and return to such Convertible Notes Holder) any notice of exercise of Conversion Rights
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, share re-denomination, share re-classification, capitalisation of profits or reserves, capital distributions, rights issue of shares or options over shares, rights issues of other securities, issue of shares, options, warrants or other rights at a price less than the current market price of the Share and issue of shares or other securities at a price less than the Conversion Price
Ranking of Conversion Shares	The Conversion Shares shall rank pari passu in all respects with all other Shares in issue on the conversion date
Repayment upon Maturity	Unless previously redeemed or cancelled, the Company shall, redeem within seven (7) Business Days after the Maturity Date all the outstanding principal amount of the Convertible Notes
Redemption	Upon the occurrence of any of the Event of Default, the Convertible Notes Holders shall be entitled to require, by lodging a notice of repayment, the Convertible Notes registered in their name to be redeemed

Event of Default
(the “**Event of Default**”)

The Convertible Notes will become immediately due and payable upon, inter alia, the occurrence of any of the following events of default:

- (a) any failure by the Company to pay the principal, interest or any other amount due and payable in respect of the Convertible Notes on its due date in the manner specified in the Transaction Documents;
- (b) the Group ceases to carry on the business or engages in any business activity other than business activity substantially related to the business it used to carry out; or
- (c) the current listing of the Shares is cancelled or withdrawn, or the Shares ceases to be traded on the Stock Exchange (save for any temporary suspension of trading for not more than three (3) consecutive Business Days pursuant to the Listing Rules which is for the purpose of publishing announcement in relation to any proposed acquisition, reorganization or such other similar activities in the ordinary course of business of the Company)

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

The Convertible Notes are freely transferrable (in whole or in part) by the Convertible Notes Holder subject to compliance with all applicable laws. No consent of the Company is required for any transfer of the Convertible Notes

Conversion Price

The Conversion Price of HK\$0.088 per Conversion Share represents:

- (i) a premium of approximately 3.53% to the Closing Price of HK\$0.085 per Share as quoted on the Stock Exchange on 4 September 2018, being the date of the Note Purchase Agreement; and
- (ii) the average Closing Price per Share of approximately HK\$0.088 per Share for the last five consecutive Trading Days immediately prior to the date of the Note Purchase 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 Investor.

INFORMATION OF THE COMPANY AND THE HK SUBSIDIARY

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

The HK subsidiary is a company incorporated in Hong Kong with limited liability principally engaged in investment holding and an indirect wholly-owned subsidiary of the Company.

INFORMATION OF THE INVESTOR

The Investor is a company incorporated in the British Virgin Islands with limited liability principally engaged in investment holding and an indirect wholly-owned special purpose vehicle of CCB International (Holdings) Limited.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, the Investor and its ultimate beneficial owners are third parties independent of the Company and the connected persons of the Company.

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

Due to the recent significant drop in share price of the Company, the Board considers that the issue of the Convertible Notes is an appropriate means of fund raising for the Company to off-set part of the principal amount of the Promissory Note due 2020 and provides opportunities for the Group to strengthen its capital base and financial position for future business development.

The gross proceeds from the issue of the Convertible Notes will be HK\$185,847,419. The net proceeds from the issue of the Convertible Notes, after the deduction of related expenses payable by the Company in connection to the issue of the Convertible Notes, are estimated to be approximately HK\$184,847,419. The net price per Conversion Share based on the above net proceeds is approximately HK\$0.088. The Company intends to apply the proceeds for repayment of part of the principal amount of the Promissory Note due 2020 in the amount equals to US\$23,826,592.

The Directors consider the terms of the Note Purchase 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.

EQUITY FUND RAISING ACTIVITIES OF THE COMPANY DURING THE PAST TWELVE MONTHS

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

Date of announcement	Event	Net proceeds (approximately)	Intended use of proceeds as announced	Actual use of proceeds
24 August 2017 and 12 September 2017	Issue of secured convertible bonds in the principal amount of HK\$437,000,000 under general mandate	HK\$436,000,000	As general working capital of the Group	Used as intended

EFFECTS ON SHAREHOLDING STRUCTURE

The shareholding structure of the Company (i) as at the date of this announcement; and (ii) assuming full exercise of the Conversion Rights attached to the Convertible Notes at the initial Conversion Price of HK\$0.088 per Share and further assuming that no other Shares will be issued is as follows:

Shareholders	As at the date of this announcement		Immediately after the full conversion of the Convertible Notes	
	Number of Shares	Approximate percentage of shareholding	Number of Shares	Approximate percentage of shareholding
Substantial Shareholder				
Mr. Zhang Yongdong (<i>Note 1</i>)	2,522,802,812	16.09%	2,522,802,812	14.18%
Director				
Ms. Chow Mun Yee	8,000	0.00%	8,000	0.00%
The Investor	–	–	2,111,902,494	11.87%
Public Shareholders	<u>13,158,951,069</u>	<u>83.91%</u>	<u>13,158,951,069</u>	<u>73.95%</u>
Total	<u>15,681,761,881</u>	<u>100%</u>	<u>17,793,664,375</u>	<u>100%</u>

Note:

- These Shares were held by Galaxy Strategic Investment Co. Ltd., a company wholly-owned by Mr. Zhang Yongdong, of which 1,595,746,000 Shares were in short position to Shanghai Guotai Junan Securities Assets Management Co., Ltd.* (上海國泰君安證券資產管理有限公司, “Shanghai Guotai”) and Guotai Junan Securities Co., Ltd.* (國泰君安證券股份有限公司, “Guotai”). Shanghai Guotai is a trustee of a trust in which SHANGHAI HARFOR LEAD ASSET MANAGEMENT CO., LTD. (上海華富利得資產管理有限公司) is a beneficiary of 1,595,746,000 Shares. Guotai is the ultimate holding company of Shanghai Guotai and is deemed to be interested in 1,595,746,000 Shares through Shanghai Guotai described above.

* *for identification purpose only*

GENERAL

Closing of the issue of the Convertible Notes is subject to fulfillment of the conditions precedent under the Note Purchase Agreement. Accordingly, the issue of the Convertible Notes may or may not proceed. Shareholders and potential investors are advised to exercise caution when dealing in the securities of the Company.

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

DEFINITIONS

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

“Board”	the board of Directors of the Company
“Business Day(s)”	a day on which commercial banks in Hong Kong are generally open for normal business other than Saturday and Sunday or a public holiday, or a day on which commercial banks do not open for business owing to a tropical cyclone warning signal number 8 or above or a “black” rainstorm warning signal being in force in Hong Kong
“BVI Subsidiary”	Elffey Finance Limited, a company with limited liability incorporated under the laws of the British Virgin Islands and an indirect wholly-owned subsidiary of the Company
“Closing Price”	in respect of a Share for any Trading Day, the closing market price published in the daily quotation sheet published by the Stock Exchange for such Trading Day
“Company”	Freeman FinTech Corporation Limited, a company with limited liability incorporated under the laws of the Cayman Islands whose shares are listed on the Stock Exchange (Stock Code: 279)
“connected person(s)”	has the meanings as ascribed thereto under the Listing Rules

“Convertible Notes”	the secured guaranteed convertible notes created and constituted by the Convertible Notes Instrument and any deed poll supplemental thereto and issued with the benefit of and subject to the provision of the Convertible Notes Instrument in the aggregate principal amount of HK\$185,847,419
“Convertible Notes Holder(s)”	a holder of Convertible Notes and in whose name such Convertible Notes is for the time being registered in the Convertible Notes register
“Convertible Notes Instrument”	the instrument by way of deed poll to be executed by the Company creating and constituting the Convertible Notes
“Conversion Price”	HK\$0.088 per Conversion Share, subject to adjustments
“Conversion Share(s)”	the Share(s) to be issued by the Company upon conversion of the principal amount of the Convertible Notes pursuant to the terms of the Convertible Notes Instrument
“Directors”	the directors of the Company from time to time
“Galaxy Strategic”	Galaxy Strategic Investment Co. Ltd., a company incorporated under the laws of the British Virgin Islands with limited liability and wholly-owned by Mr. Zhang Yongdong, a substantial shareholder of the Company
“General Mandate”	the existing general mandate from the Shareholders to the Board at the annual general meeting of the Company held on 5 September 2017 to allot and issue Shares (including the issue of any securities convertible into Shares, or options, warrants or similar rights to subscribe for any Shares) up to an aggregate number of Shares not exceeding 20% of the number of Shares in issue as at 5 September 2017 in accordance with the relevant provisions of the Listing Rules. As at the date of the Note Purchase Agreement, the Company has the power to further issue up to 2,111,902,494 Shares until the date of the next annual general meeting of the Company
“Group”	the Company and its subsidiaries

“HK Subsidiary”	Elffey International Trading Co., Limited, a company incorporated with limited liability under the laws of Hong Kong, and an indirect wholly-owned subsidiary of the Company
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Investor”	Prosper Talent Limited, a company incorporated in the British Virgin Islands with limited liability and an indirect wholly-owned special purpose vehicle of CCB International (Holdings) Limited
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Note Purchase Agreement”	the note purchase agreement dated 4 September 2018 entered into between the Company, the HK Subsidiary and the Investor in relation to the issue of Convertible Notes
“PRC”	the People’s Republic of China
“Promissory Note due 2020”	the secured guaranteed note of principal amount of US\$70,000,000 due 2020 issued by the Company to the Investor on 29 March 2018
“Shareholders”	holders of the Shares
“Share(s)”	ordinary share(s) of HK\$0.001 each in the share capital of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Spectacular Bid”	Spectacular Bid Limited, a limited liability company incorporated in the British Virgin Islands and an indirect wholly-owned subsidiary of the Company
“Trading Day(s)”	a day when the Stock Exchange (or in respect of any other security, the relevant stock exchange or securities market), is open for dealing business

“Transaction Documents”	the Convertible Notes Instrument, the Convertible Notes certificate, the Note Purchase Agreement, the Security Documents, or any document designated as such by the Investor
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“US\$”	US dollars, the lawful currency of the United States of America
“%”	per cent.

By Order of the Board
Freeman FinTech Corporation Limited
Ye Ye
Chairman

Hong Kong, 4 September 2018

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

Executive Directors:

Mr. Ye Ye (*Chairman*)
Mr. Yang Haoying (*Chief Executive Officer*)
Mr. Pun Hong Hai (*Chief Operating Officer*)
Ms. Chow Mun Yee
Mr. Zhao Tong

Independent Non-executive Directors:

Mr. An Dong
Mr. Cheung Wing Ping
Mr. Fung Tze Wa
Mr. Wu Keli